

FEDERAL BUREAU OF INVESTIGATION  
FOI/PA  
DELETED PAGE INFORMATION SHEET  
FOI/PA# 1362084-0

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FM FBI PHOENIX (58C-41605) (P)

TO DIRECTOR FBI/PRIORITY/

FBI LOS ANGELES/PRIORITY/

BT

UNCLAS

SECTION ONE OF TWO SECTIONS

CITE: //3630//

PASS: PUBLIC CORRUPTION UNIT; SSA [REDACTED]

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SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, ET

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AL; CHARLES, H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN

ASSOCIATION, AMERICAN CONTINENTAL CORPORATION; CORRUPTION OF

PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX-LOS ANGELES.

RE TELCALL OF SSA [REDACTED] TO SA [REDACTED]

PHOENIX DIVISION, MAY 16, 1990, AND PHOENIX TELETYPE TO THE

DIRECTOR, APRIL 23, 1990.

58C-PX-41605-78

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FBI - LOS ANGELES	

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PAGE TWO DE FBIPX 0010 UNCLAS

THE FOLLOWING IS A SUMMARY OF INVESTIGATION CONDUCTED SINCE  
APRIL 23, 1990:

THE [REDACTED] HAVE BEEN RECEIVED WHICH WERE  
OBTAINED PURSUANT TO A SUBPOENA. [REDACTED] ARE PRESENTLY  
BEING REVIEWED. [REDACTED]

PROVIDED [REDACTED] PURSUANT TO A SUBPOENA, AS WELL AS [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED] ARE PRESENTLY BEING REVIEWED. [REDACTED]

[REDACTED] HAVE BEEN REVIEWED IN AN EFFORT TO  
DETERMINE [REDACTED]

[REDACTED]  
[REDACTED] ARE  
BEING COPIED AND WILL BE FORWARDED TO THE FBI, PHOENIX.

SENATORS MC CAIN, DE CONCINI AND GLENN HAVE PROVIDED THE FBI  
WITH COPIES OF ALL THEIR DOCUMENTS PROVIDED TO THE SENATE ETHICS  
COMMITTEE. THE FBI HAS RECEIVED THESE DOCUMENTS THROUGH THE  
OFFICE OF [REDACTED] U.S. DEPARTMENT OF JUSTICE.

A PORTION OF THESE DOCUMENTS HAVE BEEN REVIEWED AND THEY  
REFLECT MEETINGS, TELEPHONE CALLS, AND CORRESPONDENCE TO AND FROM  
CHARLES KEATING. SENATOR GLENN HAS PROVIDED COPIES OF DOCUMENTS  
HE PROVIDED THE SENATE ETHICS COMMITTEE RELATING TO \$200,000

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PAGE THREE DE FBIPX 0010 UNCLAS

CONTRIBUTIONS FROM KEATING IN AUGUST, 1985, AND FEBRUARY, 1986. THESE RECORDS ARE CURRENTLY BEING REVIEWED. SENATORS REIGLE'S AND CRANSTON'S ATTORNEYS, HAVE INFORMED AUSA [REDACTED] CENTRAL DISTRICT OF CALIFORNIA, THAT THEY WILL PROVIDE DOCUMENTS GIVEN TO THE SENATE ETHICS COMMITTEE WITHOUT SUBPOENA. HOWEVER, REIGLE'S ATTORNEY HAS STATED HE WILL ONLY PROVIDE DOCUMENTS THAT ARE "RELEVANT". AUSA [REDACTED] HAS REQUESTED THE FBI REVIEW THESE DOCUMENTS BEFORE ISSUANCE OF A SUBPOENA TO REIGLE.

DURING THE WEEK OF APRIL 30 - MAY 4, 1990, THE FOLLOWING OTS EMPLOYEES WERE INTERVIEWED REGARDING ALLEGATIONS OF A "WHITEWASH" OF THE JULY, 1988 EXAMINATION OF LSL, [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED] WAS ALSO INTERVIEWED.  
[REDACTED]  
[REDACTED]

[REDACTED] HAVE BEEN OBTAINED BY  
SUBPOENA AND LEADS ARE CURRENTLY SET IN ATLANTA, BOSTON, NEW YORK AND OMAHA DIVISIONS FOR INTERVIEWS OF EXAMINERS. THERE DOES APPEAR TO BE A LEGITIMATE CONCERN ON THE PART OF THE EXAMINERS

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THAT THE THRIFT EXAMINATION OF LSL IN JULY, 1988 WAS A "WHITEWASH." HOWEVER, FROM INTERVIEW OF THE CHICAGO OTS EMPLOYEES, NO SPECIFIC ACT COULD BE DESCRIBED WHICH CAUSED AN EXAMINER TO NOT BE ABLE TO DO HIS EXAMINATION. ALL OF THE EXAMINERS AGREED THAT UPON THE INITIATION OF THE HOLDING COMPANY EXAMINATION (AMERICAN CONTINENTAL CORPORATION) (ACC) THAT BEGAN IN AUGUST, 1988, PREVENTED THE POSSIBILITY OF A "WHITEWASH."

THEIR LOGIC SEEMS TO BE THAT [REDACTED]

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[REDACTED]  
[REDACTED] ADDITIONALLY, THE EXAMINERS WERE CONCERNED WITH THE STANCE TAKEN BY [REDACTED]

[REDACTED]  
[REDACTED] APPARENTLY SAID THERE WAS ONLY A \$10 TO \$20 MILLION LOSS IN THE PORTFOLIO, WHILE EXAMINERS WERE AWARE OF MUCH MORE SIGNIFICANT LOSSES.

[REDACTED] WAS NOT ALLOWING VARIOUS EXAMINERS TO WRITE THEIR FINDINGS AS THEY DESIRED. THE CHICAGO EXAMINERS ALSO STATED THAT

[REDACTED]  
SEEMED TO BE BIASED AND ACTED AS AN "ACCOUNTANT CLIENT" OF KEATING AND LSL. [REDACTED] REPORTED DIRECTLY TO [REDACTED] THE EXAMINERS ALSO STATED THAT THE MAY, 1988, MOU PLACED A TIME



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CONSTRAINT ON THE EXAMINERS, WHICH WOULD NOT ALLOW COMPLETE REVIEW OF ALL THE ASSETS OF LSL. THEY SAID ACC/LSL MANAGEMENT WOULD REFER TO THE MOU WHEN CONFRONTED WITH QUESTIONS THEY DID NOT WANT TO ANSWER. [REDACTED]

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[REDACTED] STATED HE REMEMBERS TELEPHONE CALLS FROM SENATORS CRANSTON AND DECONCINI IN MARCH OR APRIL, 1989, TO [REDACTED] AND HIS

[REDACTED] SAID HE WAS AWARE THE CALLS WERE "UNWISE" AND THAT [REDACTED] TOLD [REDACTED] TO HAVE THE CALLS

DISCONTINUED. LEAD HAS BEEN SET TO NEW YORK FBI FOR INTERVIEW OF

[REDACTED] WAS PRESENT AT TWO FHLBB BOARD MEETINGS IN MAY OF 1988, PRIOR TO THE VOTE BY THE BOARD THAT RESULTED IN TRANSFER OF SUPERVISION OF LSL FROM SAN FRANCISCO TO WASHINGTON, D.C., AND THE ADOPTION OF THE MAY 20, 1988, MOU. [REDACTED] STATED THAT [REDACTED]

[REDACTED] DURING BOTH MEETINGS, SAID, "IF CHARLES KEATING DOES NOT CONTINUE HIS INVOLVEMENT WITH LSL AND ACC, THE ARIZONA REAL ESTATE MARKET WILL FAIL". THIS STATEMENT IS SIMILAR TO CONCERNS VOICED BY SENATORS CRANSTON AND DECONCINI IN TELEPHONE CONVERSATIONS WITH [REDACTED] IN MARCH OR APRIL, 1989. [REDACTED] DESCRIBED THESE TWO TELEPHONE CALLS AS IF "THEY WERE READING FROM THE SAME SCRIPT".

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ON APRIL 27, 1990, SACRAMENTO DIVISION INTERVIEWED [REDACTED]

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[REDACTED]  
[REDACTED] STATE OF CALIFORNIA. [REDACTED] STATED THAT HE HAD HAD NO CONTACTS WHATSOEVER WITH U.S. SENATORS DE CONCIPT, GLENN, REIGLE, OR MC CAIN OR THEIR RESPECTIVE STAFFS. [REDACTED] ADMITTED CONTACT WITH SENATOR ALAN CRANSTON, HOWEVER, INDICATED NONE OF THESE CONTACTS CONCERNED KEATING OR ANY OF HIS BUSINESS ENTITIES.

[REDACTED] ADMITTED, HOWEVER, RECEIVING A TELEPHONE CALL FROM [REDACTED] WHO ASKED [REDACTED] TO ACCEPT A TELEPHONE CALL FROM AN ACC OR LSL ATTORNEY. [REDACTED] COULD NOT RECALL THE NAME OF THE ATTORNEY AND INDICATED HE HAD BEEN CONTACTED BY THE SENATE ETHICS COMMITTEE AND IN AN EFFORT TO IDENTIFY THIS INDIVIDUAL, HE CAUSED A SEARCH OF HIS RECORDS WITH NEGATIVE RESULTS. [REDACTED] SAID, HOWEVER, THIS ATTORNEY TOLD HIM THAT THE SALE OF LSL WOULD BE APPROVED FEDERALLY AND HE, THE ATTORNEY, REQUESTED THAT EITHER

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] TO ENSURE WALL THAT NO ONE FROM THE STATE OF CALIFORNIA,

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FM FBI PHOENIX (58C-41605) (P)

TO DIRECTOR FBI/PRIORITY/

FBI LOS ANGELES/PRIORITY/

BT

UNCLAS

SECTION TWO OF TWO SECTIONS

CITE: //3630//

PASS: PUBLIC CORRUPTION UNIT; SSA [REDACTED]

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b7c

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, ET  
AL; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN  
ASSOCIATION, AMERICAN CONTINENTAL CORPORATION; CORRUPTION OF  
PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX-LOS ANGELES.

TEXT CONTINUES:

IN PARTICULAR [REDACTED] WOULD SAY ANYTHING CRITICAL ABOUT THE  
PROPOSED SALE OF LSL. [REDACTED] SAID THAT NO SUCH CONTACT



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FOLLOWED.

ON MAY 4, 1990, [REDACTED] BUSINESS.

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TRANSPORTATION AND HOUSING AGENCY, STATE OF CALIFORNIA, ADVISED THAT HE HAD TWO MEETINGS WITH CHARLES KEATING IN 1989 INDICATING THAT IN VIEW OF THE FACT THAT HE OVERSAW THE CALIFORNIA DEPARTMENT OF SAVINGS AND LOAN, THE REQUEST TO MEET WITH KEATING WAS NOT UNUSUAL AND THE MEETINGS DID OCCUR. KEATING COMPLAINED ABOUT REGULATION OF HIS THRIFT.

[REDACTED] ADMITTED RECEIVING A TELEPHONE CALL IN APRIL, 1989 FROM SENATOR DENNIS DE CONCINI. DURING THIS TELEPHONE CONVERSATION, SENATOR DE CONCINI TOLD [REDACTED] THAT IT WAS HIS, DE CONCINI'S BELIEF, THAT THE STATE OF CALIFORNIA WAS IN A POSITION TO STOP THE SALE OF LSL TO THE "SO CALLED ROUSSELOT GROUP." [REDACTED] RESPONDED TO SENATOR DE CONCINI THAT THE STATE OF CALIFORNIA WAS NOT IN A POSITION TO STAND IN THE WAY OF THIS PROPOSED TRANSACTION SINCE THE TRANSACTION WOULD RESULT IN LSL OPERATING UNDER A FEDERAL CHARTER. [REDACTED] TOLD SENATOR DE CONCINI THAT THE STATE AND STATE REGULATORS IN CALIFORNIA STILL HAD A PROBLEM WITH LSL, AND THE MOVE TO A FEDERAL CHARTER WILL ESSENTIALLY "TAKES THE STATE OUT OF THE LOOP." SENATOR DE CONCINI THEN DESCRIBED HIS EVALUATION OF THE IMPORTANCE OF ACC TO



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THE STATE OF ARIZONA. SENATOR DE CONCINI DESCRIBED THE HARDSHIP TO ARIZONA THAT WOULD RESULT FROM LAYOFFS AT THE CORPORATION (ACC) AND THE COLLAPSE OF REAL ESTATE PROJECTS UNDERWAY IN THE STATE OF ARIZONA THAT WERE SUPPORTED BY ACC. [REDACTED] COULD NOT RECALL IF SENATOR DE CONCINI MENTIONED ANYTHING ABOUT [REDACTED]

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[REDACTED] ALSO STATED THAT HE [REDACTED] DID NOT INFER FROM DE CONCINI'S TELEPHONE CONVERSATION THAT HE (DE CONCINI) WISHED [REDACTED] TO SILENCE ANY CALIFORNIA CRITICS OF THE PROPOSED SALE OF LSL. [REDACTED] ADMITTED DISCUSSING THIS TELEPHONE CONVERSATION WITH [REDACTED] HOWEVER, HE STATED HE DID NOT INSTRUCT [REDACTED] TO "TONE DOWN" HIS CRITICISM OF THE OPERATIONS OF LSL NOR DID HE RECALL TELLING [REDACTED] THAT SUCH A MOVE HAD BEEN SUGGESTED ON THE PART OF SENATOR DE CONCINI.

PHOENIX AND LOS ANGELES WILL IMMEDIATELY REPORT TO HEADQUARTERS ANY SIGNIFICANT DETAILS AS THEY DEVELOP IN THIS MATTER.

BT

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FBI

## TRANSMIT VIA:

☐ Teletype  
☐ Facsimile  
☒ AIRTEL

## PRECEDENCE:

☐ Immediate  
☐ Priority  
☐ Routine

## CLASSIFICATION:

☐ TOP SECRET  
☐ SECRET  
☐ CONFIDENTIAL  
☐ UNCLAS E F T O  
☐ UNCLAS

Date 5/3/90

TO : DIRECTOR, FBI  
 (ATTN: )  
 TECHNICAL SERVICES DIVISION,  
 ROOM 1334, TL#153)

FROM : SAC, PHOENIX (29D-LA-102009) (P)

SUBJECT: DESERT GEM;  
 MAJOR CASE 24;  
 BANK FRAUD & EMBEZZLEMENT;  
 OO: LA/PX

ALAN CRANSTON;  
 DENNIS D. DECONCINI;  
 JOHN GLENN;  
 JOHN MC CAIN;  
 DONALD RIEGLE;  
 U.S. SENATORS;  
 CHARLES H. KEATING, JR.;  
 dba LINCOLN SAVINGS AND LOAN ASSOCIATION,  
 AMERICAN CONTINENTAL CORPORATION,  
 PHOENIX, ARIZONA;  
 CORRUPTION OF FEDERAL PUBLIC OFFICIALS-LEGISLATIVE;  
 OO: PX

Re Phoenix teletype to the Bureau, dated 5/1/89.

REQUEST OF THE BUREAU

Technical Services Division is requested to authorize and purchase one Kurzweil 5100 optical scanner for use of the Phoenix Division.

3 - Bureau  
 ④ - Los Angeles (2 - 58C-PX-41605)  
 4 - Phoenix (2 - 58C-PX-41605)  
 RJK/rjk  
 (11)

29D-LA-102009-79

SEARCHED	INDEXED
SERIALIZED	FILED
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FBI - LOS ANGELES	

5/29/90

Approved: \_\_\_\_\_ Transmitted \_\_\_\_\_ (Number) (Time) Per \_\_\_\_\_

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29D-LA-102009  
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Any additional information necessary for this request may be directed to SAA [ ] or SA [ ] Phoenix Division.

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#### BACKGROUND INFORMATION

Captioned Bank Fraud and Embezzlement investigation involves the failure and subsequent takeover of LINCOLN SAVINGS AND LOAN (LINCOLN), Irvine, California. LINCOLN was, at the time of the takeover, the third largest savings and loan association in the State of California with approximately \$5.6 billion in assets. LINCOLN was a subsidiary of AMERICAN CONTINENTAL CORPORATION (ACC), Phoenix, Arizona. ACC was a publicly traded corporation with majority shareholder, CHARLES H. KEATING, JR., acting as Chairman of the Board. KEATING's immediate family of five children and their spouses are also ACC shareholders and employees of ACC and LINCOLN at above-market salaries. KEATING himself is from a wealthy, prominent family in Cincinnati, Ohio with ties to national political figures.

Three referrals have been received by the FBI in Los Angeles and Phoenix, alleging various criminal acts perpetrated by a consortium of LINCOLN and ACC employees. Los Angeles and Phoenix agents have met and agreed upon a course of investigation in which both offices will be primarily responsible for different aspects with assistance from the other.

This is the largest savings and loan failure in the history of the United States. The FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC) and OFFICE OF THRIFT SUPERVISION (OTS) estimates the cost of the LINCOLN failure to be approximately \$2.0 billion. The United States House Banking Subcommittee, chaired by U.S. Representative HENRY GONZALES, held hearings from October through January, 1990, into the FEDERAL HOMES LOAN BANK BOARD's (FHLBB) regulation of LINCOLN. This committee has taken under consideration the possibility of resuming those hearings to focus on the relationship between KEATING/LINCOLN and MICHAEL MILKEN of DREXEL BURNHAM LAMBERT. The committee is also considering focusing the hearings and the relationship between KEATING/LINCOLN and the following: MDC/SILVERADO SAVINGS, Denver, Colorado; GENE PHILLIPS, SOUTHMARK CORPORATION, Dallas, Texas/SAN JACINTO SAVINGS AND LOAN ASSOCIATION, Houston, Texas; and GEORGE PAUL, CENTRUST SAVINGS BANK, Tampa, Florida.

The SECURITIES EXCHANGE COMMISSION (SEC) has initiated an investigation regarding the sale of the ACC subordinated debenture bonds and the ACC financial condition which supported

29D-LA-102009  
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the bond prospectus. The SEC has devoted 12 investigative personnel to this matter and considers the investigation their highest priority.

In August, 1989, the FDIC filed a \$1.1 billion civil suit against KEATING and numerous officers and directors of ACC and LINCOLN alleging various acts of RICO violations.

On 4/13/89, KEATING placed ACC and 11 subsidiaries of LINCOLN into bankruptcy before U.S. District Judge HENRY BILBEY, Phoenix, Arizona. [REDACTED]

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[REDACTED]  
[REDACTED] subpoenaed by the Federal Grand Jury, Central District of California, pursuant to this matter. [REDACTED]  
[REDACTED]

ACC and other designated parties have deposited over 11,000 boxes of documents and 665 rolls of microfilm into the depository. This equates to approximately 27.0 million pages of documents. Additionally, each party provided indices to these documents. The indices alone equate to 20,000 pages.

Phoenix Division proposes creating multiple computer files for both the bank fraud and the public corruption investigations on the IWS ITC 386T computer. The files will be accessed through the software program ZyINDEX. A flowchart of the proposed structure is attached to this airtel. The optical scanner will be used to input the following: 20,000 pages of indices to access boxes and documents at the central depository; FD 302's and investigative inserts; 900 pages of KEATING's itinerary; FBI communications; and documentary evidence.

Investigation to date has been delayed in the use of the central depository due to the 20,000 pages of indices which must be reviewed each time in order to identify a particular box of documents. Though the indices are segregated by submitting party, it is not divided by topic or subject matter. Therefore, if an agent needs to review documents relating to transactions with DREXEL BURNHAM LAMBERT, all 20,000 pages must be reviewed in order to determine which boxes cover that topic. Use of the optical scanner, ZyINDEX and the IWS computer would substantially

29D-LA-102009  
RJK/rjk

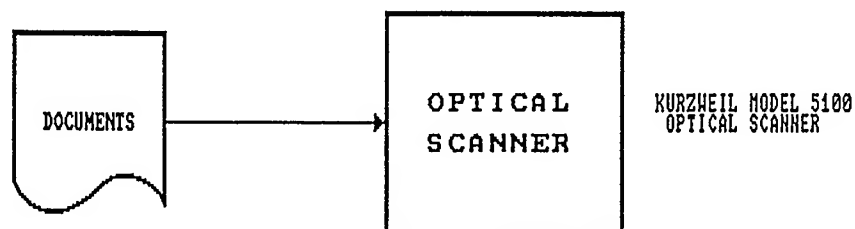
aid the investigative process by identifying those boxes containing the search parameters (e.g. "DREXEL BURNHAM LAMBERT") before going to the central depository.

Another aspect of the investigation involves the corruption of federal public officials, namely U.S. Senators CRANSTON, DECONCINI, GLENN, MC CAIN and RIEGLE. KEATING met with these senators on numerous occasions from 1984 to 1989. KEATING's itinerary from 1983 to 1990 contains approximately 900 pages. Each page identifies where KEATING was located, who he was meeting with and what was the topic of conversation. Again, the investigation would substantially benefit from having the itinerary computerized in order to search individuals or topics through ZyINDEX.

# DESERT GEM

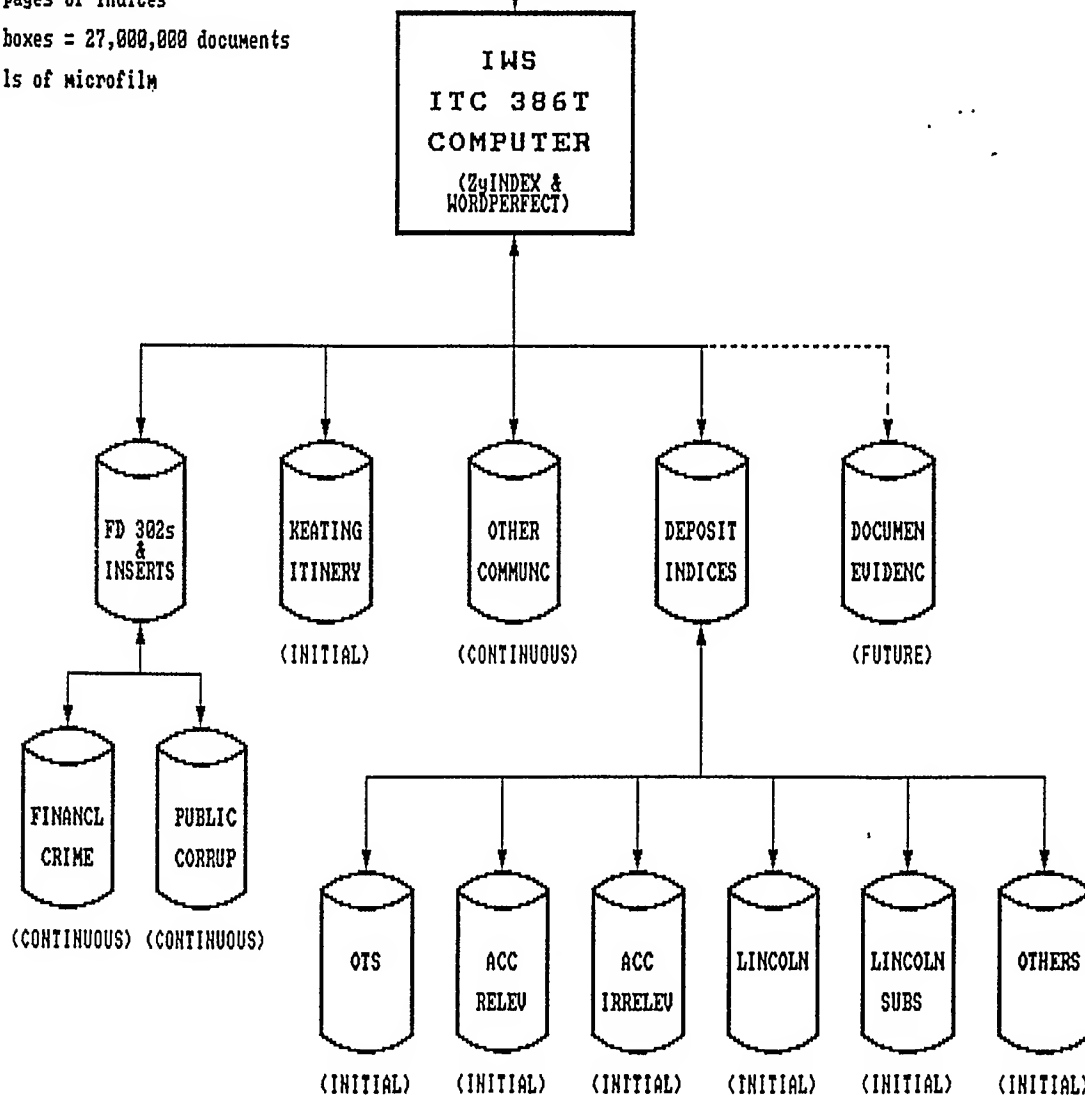
## MAJOR CASE #24

### PROPOSED COMPUTERIZED DOCUMENT STRUCTURE



#### DEPOSITORY DOCUMENT STATISTICS

- \* 20,000 pages of indices
- \* 11,000 boxes = 27,000,000 documents
- \* 665 rolls of microfilm



/READ /REF 2  
0043 MRT 00274

MAY 17 10 12 PM '90

RR RUEHFB FBIDL FBILA

TELETYPE ROOM

DE FBIPX #0002 1380506

ZNR UUUUU

R 180329Z MAY 90

FM FBI PHOENIX (58C-PX-41605) (P)

TO DIRECTOR FBI/ROUTINE/

FBI DALLAS/ROUTINE/

INFO FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

CITE: //3630//

PASS: SSA [REDACTED] PUBLIC CORRUPTION UNIT; SAC, DALLAS.

b6  
b7C

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,  
DENNIS DECONCINI, JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE; CHARLES  
H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL)  
OF CALIFORNIA AND AMERICAN CONTINENTAL CORPORATION (ACC),  
PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS-  
LEGISLATIVE; OO: PX/LA.

TELETYPE

58C-PX-41605-80

SEARCHED	INDEXED
SERIALIZED	FILED
MAY 17 1990	
FBI - PHOENIX	
[REDACTED]	

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b7C

SARA copy

SARA

PAGE TWO DE FBIPX-0002 UNCLAS

RE TELEPHONE CALL OF SA [REDACTED] TO SA [REDACTED]

5/17/90.

b6  
b7c

FOR THE INFORMATION OF DALLAS, THIS CASE AROSE FROM A MEETING ATTENDED BY THE FIVE U.S. SENATORS WITH [REDACTED] [REDACTED] FEDERAL HOME LOAN BANK BOARD (FHLBB), ON 4/2/87 AND A SUBSEQUENT MEETING WITH REGULATORY OFFICIALS FROM THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO ON 4/9/87. INVESTIGATION HAS SHOWN KEATING WAS A MAJOR CONTRIBUTOR TO THE SENATORS AND DURING THE MEETINGS WITH THE FEDERAL HOME LOAN BANK [REDACTED] AND THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO REGULATORS, THEY QUESTIONED THESE INDIVIDUALS CONCERNING LSL. [REDACTED] AND THE SAN FRANCISCO BANK OFFICIALS HAVE BEEN INTERVIEWED AND ALL CHARACTERIZED THE CONTACTS BY THE U.S. SENATORS AS UNUSUAL AND INAPPROPRIATE. THE DEPARTMENT OF JUSTICE HAS REQUESTED THE FBI INVESTIGATE THIS MATTER.

THE FEDERAL HOME LOAN BANK BOARD [REDACTED] IN 5/88 ENTERED INTO A MEMORANDUM OF UNDERSTANDING (MOU) WHICH TRANSFERRED SUPERVISORY AUTHORITY FROM THE SAN FRANCISCO BANK DISTRICT TO THE FEDERAL HOME LOAN BANK BOARD IN WASHINGTON, DC. THE MEMORANDUM FURTHER SET FORTH PARAMETER FOR AN EXAMINATION OF LSL WHICH BEGAN IN 7/88. THE EXAM TEAM WAS MADE UP OF FEDERAL



PAGE THREE DE FBIPX 0002 UNCLAS

HOME LOAN BANK EXAMINERS NATIONWIDE AND SOME OF THESE EXAMINERS HAVE BEEN INTERVIEWED. ON INITIATION OF THE EXAMINATION OF LSL, THE EXAMINERS PERCEIVED A "WHITE WASH" OCCURRING. THE MOU ALSO PLACED A TIME CONSTRAINT FOR THE EXAMINATION TO BE COMPLETED OF 11/88.

[REDACTED] CURRENTLY EMPLOYED BY THE OTS, DALLAS, TEXAS, WAS ASSIGNED TO A "PEER REVIEW COMMITTEE" WHICH NOT ONLY EVALUATED THE EXAMINATION CONDUCTED BY THE SAN FRANCISCO DISTRICT, BUT [REDACTED] WAS ON A COMMITTEE WHICH ULTIMATELY RECOMMENDED THREE OPTIONS TO THE FHLBB WHICH EVOLVED INTO THE MOU.

[REDACTED] FORMERLY OF THE FEDERAL HOME LOAN BANK OF DALLAS CURRENTLY IS SELF-EMPLOYED AND DESCRIBED IN HOUSE BANKING COMMITTEE TESTIMONY OF [REDACTED] AS HAVING BEEN "FIRED" THROUGH A SMEAR CAMPAIGN AND POLITICAL PRESSURE" BY [REDACTED]

[REDACTED] FURTHER TESTIFIED THAT [REDACTED] REFUSED TO FIRE [REDACTED]

BOTH [REDACTED] AND [REDACTED] HAVE BEEN CONTACTED BY TELEPHONE AND HAVE AGREED TO BE INTERVIEWED BY THE FBI ON 5/23-24/90.

IN VIEW OF THE COMPLEXITY OF THIS CASE, SAC'S DALLAS AND

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PAGE FOUR DE FBIPX 0002 UNCLAS

PHOENIX AGREE IN THE TRAVEL OF PHOENIX CASE AGENT TO DALLAS,  
5/22-25/90 TO CONDUCT THESE INTERVIEWED. NO ASSISTANCE IS BEING  
REQUESTED OF THE DALLAS FBI OFFICE.

BT

#0002

NNNN

**SPECIAL**

/READ /REF 7  
0030 MRI 00226

MAY 21 8 02 PM '90

PP FBIAT FBIBS FBICE FBILA FBINK FBINY FBIOM FBISF

DE FBIPX #0004 1420240

TELETYPE ROOM

ZNR UUUUU

P 220232Z MAY 90

FM FBI PHOENIX (58C-PX-41605) (P)

TO FBI ATLANTA/PRIORITY/

FBI BOSTON/PRIORITY/

FBI CHARLOTTE/PRIORITY/

INFO FBI LOS ANGELES/ROUTINE/

FBI NEWARK/PRIORITY/

FBI NEW YORK/PRIORITY/

FBI OMAHA/PRIORITY/

FBI SAN FRANCISCO/PRIORITY/

FBI SAN FRANCISCO/PRIORITY/

BT

UNCLAS

CTTE: //3630//

SUBJECT: (ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, ET  
AL; CHARLES H. KEATING, JR., AKA; CORRUPTION OF FEDERAL PUBLIC

**TELETYPE**

**SPECIAL**

**SARA**

58C-PX-41605-81

SEARCHED	INDEXED
SERIALIZED	FILED
MAY 21 1990	
FBI - PHOENIX	
SARA COPY	

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b7c

PAGE TWO DE FBIPX 0004 UNCLAS

OFFICIALS-LEGISLATIVE; OO: PX/LA.

RE PHOENIX TEL TO NEWARK, 4/28/90 AND PHOENIX TEL TO ATLANTA  
5/8/90.

FOR THE INFORMATION OF RECEIVING OFFICES, DUE TO TIME  
CONSTRAINTS PLACED UPON THIS CASE BY HEADQUARTERS, IT IS  
REQUESTED THAT A TELETYPE SUMMARY BE SUPPLIED TO PHOENIX OF ALL  
INTERVIEWS NO LATER THAN 6/1/90 WITH 302'S FOLLOWING AS SOON AS  
POSSIBLE.

BT

#0004

NNNN

/READ /REF 13  
0005 MRT 02480

MAY 23 6 09 PM '90

RR RUEHEB FBILA FBIPX FBISE

TELETYPE

DE FBINY #0079 1440049

ZNR UUUUU

R 232352Z MAY 90

FM FBI NEW YORK (58C-PX-41605) (P) (C-14)

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

FBI PHOENIX/ROUTINE/

FBI SEATTLE/ROUTINE/

BT

UNCLAS

CITE: //3540//

PASS: SSA [REDACTED] PUBLIC CORRUPTION UNIT.

b6  
b7c

SUBJECT: ALLEGATIONS CONCERNING (US SENATORS ALAN CRANSTON,  
DENNIS DECONCINI, JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE;  
CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION  
OF CALIFORNIA (LSL) AND AMERICAN CONTINENTAL CORPORATION (ACC),  
PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS -  
LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

TELETYPE

SARA

82  
58C-PX-41605-  
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[REDACTED]  
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PAGE TWO DE FBINY 0079 UNCLAS

REPXTELETYPE TO NY MAY 10, 1990, NYTELCALL TO SA [REDACTED]

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[REDACTED] PHOENIX DIVISION MAY 18, 1990.

FOR INFORMATION OF SEATTLE, THIS CASE AROSE FROM A MEETING OF THE FIVE US SENATORS WITH [REDACTED] FEDERAL HOME LOAN BANK BOARD (FHLBB) ON APRIL 2, 1987. THE SENATORS MET WITH OTHER OFFICIALS OF THE FHLBB ON APRIL 9, 1987. INVESTIGATION HAS SHOWN KEATING WAS A MAJOR CONTRIBUTOR TO THE SENATORS. DURING THE ABOVE MENTIONED MEETINGS, THE SENATORS QUESTIONED THE FHLBB OFFICIALS CONCERNING LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) AND THE CONTACTS BY THE SENATORS WERE CHARACTERIZED BY [REDACTED] AND THE OTHERS AS UNUSUAL AND INAPPROPRIATE.

INVESTIGATION HAS SHOWN THAT THE SENATORS MET FREQUENTLY WITH KEATING PRIOR TO THE APRIL 2, 1987 MEETING. DURING THE APRIL 9, 1987 MEETING, THE SENATORS WERE INFORMED BY THE REGULATORS FROM SAN FRANCISCO THAT A CRIMINAL REFERRAL HAD BEEN MADE REGARDING THE MANAGEMENT AND OPERATION OF LSL. SUBSEQUENT TO THIS, SENATORS DECONCINI AND CRANSTON CONTINUED THEIR CONTACTS WITH REGULATORS IN CALIFORNIA AND WASHINGTON, DC.

INTERVIEWS OF NUMEROUS EXAMINERS OF THE FHLB SYSTEM, NOW OFFICE OF THRIFT SUPERVISION (OTS) REVEALED THAT THERE WERE ALLEGATIONS THAT A "WHITE WASH" OCCURRED DURING THE EXAMINATION

PAGE THREE DE FBINY 0079 UNCLAS

OF LSL WHICH BEGAN IN JULY, 1988.

REFERENCED TELETYPE SET LEADS FOR NEW YORK TO INTERVIEW

[REDACTED] OF THE NEW YORK BANK  
DISTRICT REGARDING THESE ALLEGATIONS OF A "WHITE WASH". [REDACTED]  
STATED THAT HE RECEIVED SUCH AN ALLEGATION FROM [REDACTED] WHO  
WAS INVOLVED IN THE EXAM OF LSL AND PASSED THE ALLEGATION ON TO  
[REDACTED] THE NEW YORK BANK DISTRICT  
[REDACTED] OTS, SEATTLE.

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FOR INFORMATION OF THE BUREAU AND PHOENIX, REFERENCED  
TELETYPE ALSO SET OUT A LEAD FOR NEW YORK TO INTERVIEW [REDACTED]

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[REDACTED] FHLBB. [REDACTED]  
MAY HAVE KNOWLEDGE OF A FILE GIVEN GO [REDACTED] BY KEATING  
CONTAINING "DAMAGING INFORMATION" ABOUT THE SAN FRANCISCO BANK  
DISTRICT. [REDACTED] ALSO ALLEGEDLY RECEIVED "PRESSURE - TYPE" CALLS  
FROM DECONCINI AND CRANSTON IN MARCH AND APRIL, 1989 REGARDING  
THE PROPOSED SALE OF LSL.

WHEN [REDACTED] WAS CONTACTED TELEPHONICALLY TO ARRANGE AN  
INTERVIEW DATE SHE WAS ADVISED THAT THE INTERVIEW WOULD CONCERN  
THE ABOVE-MENTIONED FILE AND TELEPHONE CALLS SHE RECEIVED FROM US  
SENATORS. HEARING THIS, IT WAS [REDACTED] WISH TO RETAIN COUNSEL.

PAGE FOUR DE FBINY 0079 UNCLAS

PRIOR TO THE INTERVIEW. [REDACTED] A NEW YORK RESIDENT, HAS  
RETAINED [REDACTED] OF DEBEVOISE AND PLIMPTON, WASHINGTON,  
DC, AND [REDACTED] HAS REQUESTED ALL ARRANGEMENTS FOR THE INTERVIEW  
BE MADE THROUGH HER.

LEAD

SEATTLE AT SEATTLE, WASHINGTON. INTERVIEW [REDACTED]

[REDACTED] OTS REGARDING ANY ALLEGATIONS OF A "WHITE  
WASH" HE RECEIVED RELATIVE TO THE JULY, 1988 EXAM OF LSL.

SEATTLE REQUESTED TO SUBMIT HIGHLIGHTS OF INTERVIEW TO PHOENIX  
VIA TELETYPE AND FOLLOW IMMEDIATELY WITH FD-302S.

BT

#0079

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/READ/REF 5  
0074 MRI 01933

MAY 30 3 57 PM '90

TELETYPE

RR RUEHFB FBILA FBIPX

DE FBISE #0010 1502253

ZNR UUUUU

R 302201Z MAY 90

FM FBI SEATTLE (58C-PX-41605) (P)

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

FBI PHOENIX/ROUTINE/

BT

UNCLAS

CITE: //3840:SQUAD 4//

(X)  
7A

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,  
DENNIS DECONCINI, JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE,  
CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION  
OF CALIFORNIA (LSL) AND AMERICAN CONTINENTAL CORPORATION (ACC),  
PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS--  
LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

RE PHOENIX TELETYPE TO NEW YORK DATED MAY 10, 1990, AND NEW  
YORK TELETYPE TO DIRECTOR DATED MAY 23, 1990.

TELETYPE

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58C-PX-41605-83  
wcc-4  
[Redacted Box]  
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PAGE TWO DE FBISE 0010 UNCLAS

ON MAY 29, 1990, [REDACTED]

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OFFICE OF THRIFT SUPERVISION, WAS INTERVIEWED IN SEATTLE, AS REQUESTED IN REFERENCED TELETYPES.

[REDACTED] ADVISED HE HEARD ABOUT THE RUMOR OF A "WHITE WASH" FROM [REDACTED] WHO HEARD IT FROM [REDACTED] SUBSEQUENTLY TALKED TO [REDACTED] WHO CHARACTERIZED THE RUMOR AS HAVING FOUR (4) PARTS.

1. EMPLOYEES WORKING ON THE EXAMINATIONS WERE TOLD NOT TO TALK TO PEOPLE BACK IN THEIR HOME OFFICE ABOUT THE EXAMINATION.

2. [REDACTED] THE LINCOLN SAVINGS EXAMINATION, TOLD HIS PEOPLE TO ONLY LOOK AT CERTAIN AREAS.

3. EXAMINERS IN CHARGE OF SPECIFIC PARTS OF THE LINCOLN SAVINGS EXAMINATION WERE NOT SUPPOSED TO TALK TO EACH OTHER.

4. THE EXAMINER FROM PITTSBURGH (NAME NOT RECALLED) HANDLING PROBLEM LOANS WAS BEHAVING STRANGELY. HE REVIEWED LOAN FILES AND RETURNED HOME TO CLASSIFY THEM WITHOUT FIRST DISCUSSING THE LOAN WITH THE LOAN OFFICER.

[REDACTED] DISCUSSED THE RUMORS WITH [REDACTED] WHO WAS RESPONSIBLE FOR THE OVERALL EXAMINATION. [REDACTED] HAD HEARD SOME OF THE RUMORS AND HAD ALREADY HAD [REDACTED] AND [REDACTED] LOOK INTO THEM. THESE MEN HAD GONE TO LINCOLN

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PAGE THREE DE FBISE 0010 UNCLAS

SAVINGS AND TALKED TO THE EXAMINERS ON SITE. ALSO, [REDACTED] SUBSEQUENTLY TALKED TO THE BOARD OF DIRECTORS OF LINCOLN SAVINGS ABOUT THE RUMORS AND TOLD [REDACTED] HE HAD IT STRAIGHTENED OUT.

[REDACTED] TOLD [REDACTED] HE [REDACTED] HAD TOLD THE EXAMINERS NOT TO TALK TO PEOPLE BACK IN THE HOME OFFICE ABOUT THE JOB, BECAUSE IT WAS HIS DESIRE TO KEEP THE EXAMINATION CONFIDENTIAL. [REDACTED] DID NOT EXPLAIN WHAT HE HAD SAID TO THE LINCOLN SAVINGS BOARD OF DIRECTORS OR HOW HE HAD STRAIGHTENED THINGS OUT.

[REDACTED] STATED [REDACTED] TOLD HIM THAT HE, PERSONALLY, DID NOT THINK THERE WAS A COVER-UP, HE JUST THOUGHT SOME OF THE PEOPLE WERE INCOMPETENT. LATER, [REDACTED] LEFT [REDACTED] WITH THE IMPRESSION THAT THE EXAMINATION ULTIMATELY CAME OUT ALL RIGHT.

FD-302 TO FOLLOW.

BT

#0010

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JUN 1 4 45 PM '90

TELETYPE

0082 MR1 02377

RR FBIPX FBI.A

DE FBINX #0072 1522336

ZNR UUUUU

R 012311Z JUN 90

FM FBI NEW YORK (58C-PX-41605) (P)

TO FBI PHOENIX/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

CITE: //3540//

PASS: .

SUBJECT: ALLEGATIONS CONCERNING US SENATORS ALAN CRANSTON, DENNIS  
DECONCINI, JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE; CHARLES H.  
KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION OF  
CALIFORNIA (LSL) AND AMERICAN CONTINENTAL CORPORATION (ACC),  
PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS -  
LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

REPXTLS TO NY, MAY 10, 1990, MAY 22, 1990 AND NYTEL TO PX,  
MAY 23, 1990.

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58C-PX-41605-84

wcc-4

[Redacted Box]

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TELETYPE

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PAGE TWO DE FBINY 0072 UNCLAS

1 - NEW YORK

1 - SUPV. C-14

LCM:THB001

(2)

[REDACTED] OFFICE OF THRIET  
SUPERVISION (OTS), NEW YORK, NY, HAVE BEEN INTERVIEWED AS SET OUT  
IN RE TELETYPES. [REDACTED] OTS,  
SEATTLE, WASHINGTON AND LEAD WAS SENT TO SEATTLE MAY 23, 1990.

[REDACTED] HAS NOT YET BEEN INTERVIEWED AS SHE HAS RETAINED  
COUNSEL IN WASHINGTON, DC AND ATTEMPTS TO ARRANGE INTERVIEW HAVE  
NOT BEEN SUCCESSFUL.

[REDACTED]  
FOR THE EXAMINATION OF LSL IN JULY, 1988. [REDACTED]

[REDACTED] RESPONSIBILITY FOR DIFFERENT MEANS OF CONCERN WERE  
DIVIDED AMONG THE THREE ASSISTANT EICS. AS A RESULT, SOME OF THE  
MORE INEXPERIENCED EXAMINERS WORKING UNDER [REDACTED] VOICED CONCERNS  
THAT THE SCOPE OF THEIR EXAMS WERE NOT COMPLETE. [REDACTED] EXPLAINED  
THAT IN MOST CASES, AN AREA OF CONCERN NOT LOOKED AT BY HIS  
PEOPLE SHOULD HAVE BEEN EXAMINED BY ONE OF THE OTHER TWO GROUPS  
AND THE INEXPERIENCED EXAMINERS DID NOT UNDERSTAND THIS. [REDACTED]  
RECALLED [REDACTED] OF BOSTON AND [REDACTED] OF ATLANTA AS TWO

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PAGE THREE DE FBINY 0072 UNCLAS

EXAMINERS IN HIS GROUP THAT VOICED CONCERN.

[ ] DOES NOT FEEL THERE WAS, IN ANY WAY, A WHITE WASH OF THIS EXAM. HE DOES FEEL THAT IT WAS MIS-MANAGED TO SOME EXTENT BY [ ] BECAUSE THE AREAS OF RESPONSIBILITY WERE NOT CLEARLY DEFINED. [ ] EXPRESSED CONCERN TO [ ] [ ] THAT THE HOLDING COMPANY OF LSL WAS NOT SCHEDULED TO BE EXAMINED. [ ] FELT THAT THIS WAS ESSENTIAL TO AN ACCURATE EXAMINATION SINCE A LARGE AMOUNT OF LOSSES WERE BEING ATTRIBUTED TO THE HOLDING COMPANY. [ ] PASSED THE CONCERN RE THE HOLDING COMPANY ON TO [ ] ALSO SPOKE TO [ ] REGARDING THIS.

BECAUSE OF [ ] CONCERN, THE HOLDING COMPANY WAS EXAMINED AND IT IS [ ] OPINION THAT THE FINDINGS OF THAT EXAMINATION LEAD DIRECTLY TO THE CLOSING OF LSL.

NEITHER [ ] NOR [ ] WERE INVOLVED IN THE EXAMINATION OF LSL AND [ ] CONFIRMED THAT [ ] HAD SPOKEN TO HIM REGARDING THE CONCERNS THAT WERE VOICED. [ ] CONCURRED IN THE OPINION THAT THERE WAS NO WHITE WASH BUT THAT THE EXAMINATION WAS NOT MANAGED WELL DUE TO THE INEXPERIENCE OF [ ] IN SUCH A LARGE UNDERTAKING.

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PAGE FOUR DE FBINY 0072 UNCLAS

LEAD

NEW YORK AT NEW YORK, NEW YORK. WILL FORWARD FD-302S OF

[REDACTED] AND [REDACTED] TO PHOENIX. WILL CONTINUE EFFORTS TO SECURE  
INTERVIEW WITH [REDACTED]

BT

#0072

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58C-PA-41605-85  
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## FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 5/24/90

[redacted] date of birth [redacted]  
Examiner, Office of Thrift Supervision (OTS), [redacted]  
[redacted] telephone [redacted]  
[redacted] home address [redacted]

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b7D

[redacted] telephone [redacted] was interviewed at GERMANIA BANK, 701 Market Street, Gateway One, St. Louis, Missouri. After being advised of the identity of the interviewing Agent and of the purpose for the interview, [redacted] provided the following regarding the 1988 examination of LINCOLN SAVINGS AND LOAN (LSL) and its parent company, AMERICAN CONTINENTAL CORPORATION (ACC):

[redacted]  
[redacted] ACC is the holding company for LSL and is located in Phoenix, Arizona.

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b7D①  
Jm

Investigation on 4/24/90 at St. Louis, Missouri File # SL 58C-PX-41605

by SA [redacted] KAW:lgw Date dictated 4/30/90

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b7C

SEC PX-41605-86  
C/



pm

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b7C

## FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 5/24/90

[redacted] Examiner, Office of Thrift Supervision  
(OTS), [redacted]  
telephone [redacted] contacted Special Agent [redacted]  
[redacted] and provided the following additional information regarding  
the 1988 examination of LINCOLN SAVINGS AND LOAN (LSL):

[redacted]

[redacted]

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b7C  
b7D(X)  
hInvestigation on 5/3/90 at St. Louis, Missouri File # SL 58C-PX-41605by SA [redacted] KAW:lgw Date dictated 5/9/90b6  
b7C

FBI

## TRANSMIT VIA:

☐ Teletype  
☐ Facsimile  
☒ AIRTEL

## PRECEDENCE:

☐ Immediate  
☐ Priority  
☐ Routine

## CLASSIFICATION:

☐ TOP SECRET  
☐ SECRET  
☐ CONFIDENTIAL  
☐ UNCLAS E F T O  
☐ UNCLAS

Date 5/24/90

TO : SAC, PHOENIX (58C-PX-41605)  
 FROM : SAC, ST. LOUIS (58C-PX-41605) (RUC)  
 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS  
 ALAN CRANSTON, DENNIS D. DE CONCINI,  
 JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE;  
 CHARLES H. KEATING, JR.,  
 DBA LINCOLN SAVINGS AND LOAN  
 ASSOCIATION OF CALIFORNIA (LSL) AND  
 AMERICAN CONTINENTAL CORPORATION (ACC),  
 PHOENIX, ARIZONA;  
 CORRUPTION OF FEDERAL PUBLIC  
 OFFICIALS - LEGISLATIVE  
 OO: PHOENIX/LOS ANGELES

Re Springfield airtel to Phoenix, 4/2/90.

Enclosed for Phoenix are the originals and one copy  
 each of two FD-302s regarding initial interview of [redacted]  
 [redacted] Office of Thrift Supervision (OTS) Examiner, and  
 regarding additional information later provided by [redacted] Also  
 enclosed are original interview notes regarding contacts with  
 [redacted]

Enclosed for Los Angeles are copies of FD-302s  
 regarding contacts with [redacted]

This matter is considered RUC at St. Louis.

2-Phoenix (Encls. 5)  
 ②-Los Angeles (Encls. 2)  
 1-St. Louis  
 KAW:lgw  
 (5)

58C-PX-41605-87

SEARCHED	INDEXED
SERIALIZED	FILED
JUN 0 1990	
[redacted]	

SARA copy with enclosures

Approved: \_\_\_\_\_ Transmitted \_\_\_\_\_ Per \_\_\_\_\_  
 (Number) (Time)

**SARA**

58C-PX-41605 88

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SERIALIZED	FILED
JUN 6 1990	
FBI - LOS ANGELES	

[Redacted Box] *[Signature]*

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## FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 6/4/90

[redacted] Office of Thrift Supervision, DEPARTMENT OF THE TREASURY, 1501 Fourth Avenue, Seattle, Washington 98101-1693, telephone [redacted] was advised of the identity of the interviewing Agent and the nature of the inquiry; thereafter provided the following information:

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[redacted] advised he was born on [redacted]. He is familiar with allegations of a "white wash," involving an examination of LINCOLN SAVINGS AND LOAN ASSOCIATION which occurred around August, 1988. At that time, [redacted]

[redacted] advised in August, 1988, [redacted] who was in charge of examinations in New York, was also on a temporary assignment in Dallas. [redacted] told [redacted] of the "white wash" allegations. [redacted] stated he subsequently learned of the allegations from [redacted] and, thereafter, talked to [redacted] by telephone. [redacted] stated he was in Dallas at the time, and believes [redacted] was in New York. [redacted] was assigned to the examination of LINCOLN SAVINGS AND LOAN in either Arizona or California. He was reporting to [redacted] the examiner in charge of the LINCOLN SAVINGS AND LOAN EXAMINATION. Even though [redacted] was in charge of the examination, he had assigned additional people to be in charge of various parts of the examination. [redacted] had been assigned to look at the valuation of earnings of LINCOLN SAVINGS AND LOAN.

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[redacted] stated that at the time he talked to [redacted] expressed the opinion that he [redacted] thought the examination was being run poorly and felt he [redacted] had taken a chance talking to [redacted] about the "white wash" allegations. [redacted] pointed out four things he thought were indicative of a cover-up. The first concerned the instruction that people working on the LINCOLN SAVINGS AND LOAN examination were told not to talk to anyone back in their home office about the examination. The second concerned instructions from [redacted] to his people that they were only to look at certain areas. The third involved instructions to the examiners in charge who were told they were not supposed to talk to each other about the examination. The fourth concerned an examiner from Pittsburgh (whose name [redacted] can not recall) and his handling of problem loans. This examiner was apparently behaving

Investigation on 5/29/90 at Seattle, Washington File # 58C-PX-41605

by SA [redacted] jmb Date dictated 5/30/90

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Continuation of FD-302 of \_\_\_\_\_

, On 5/29/90, Page 2

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strangely. He reviewed the loan files while out in the field, and then returned back to his office in Pittsburgh to classify the loans without talking to the loan officers involved.

\_\_\_\_\_ provided the following opinions in response to the above-noted allegations. Concerning the instruction for employees not to talk to people back in their home office, \_\_\_\_\_ stated there had been possible leaks from within the agency concerning the LINCOLN SAVINGS AND LOAN examination. CHARLES H. KEATING had been complaining about leaks to the press. People had construed this restriction as being indicative of a "white wash." With respect to the second allegation, the previous examination of LINCOLN SAVINGS AND LOAN took over one years. During the examination in question, they were trying to concentrate on specific problems, i.e. big problems, and therefore had limited the scope of the examination. Concerning the third allegation, \_\_\_\_\_ advised he never understood why the examiners in charge were not supposed to talk to each other, since it was impossible to conduct an evaluation in one area, without knowing what was happening in another.

\_\_\_\_\_ stated \_\_\_\_\_ mentioned that with all these things put together, people working on the examination had concluded there was a cover-up and they were getting the message that they were not to find anything wrong. \_\_\_\_\_ expressed his feelings to \_\_\_\_\_ that he, personally, did not think there was a cover-up, but that he thought people were just incompetent. For example, \_\_\_\_\_ did not know how to conduct the examination.

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\_\_\_\_\_ stated that after talking to \_\_\_\_\_ he was concerned because he wanted the examination of LINCOLN SAVINGS AND LOAN to be conducted properly. He, therefore, called his boss, \_\_\_\_\_ who was at that time in Washington, D.C. He told \_\_\_\_\_ there was a rumor going around of a cover-up on the LINCOLN SAVINGS AND LOAN examination and \_\_\_\_\_ thought the problem was attributable to mismanagement. \_\_\_\_\_ advised that \_\_\_\_\_ replied he was aware that there was some type of a problem, but had not heard all of the allegations. \_\_\_\_\_ said he had sent \_\_\_\_\_ who was in charge of problem case resolution in Washington, D.C., and \_\_\_\_\_ an individual who works for \_\_\_\_\_ to LINCOLN SAVINGS AND LOAN to talk to the examiners on site just two days before. \_\_\_\_\_ stated \_\_\_\_\_ told him he \_\_\_\_\_ had personally talked to the examiners or he \_\_\_\_\_ had told \_\_\_\_\_ to tell the examiners not to talk to the people back in their home offices about the job. According to \_\_\_\_\_ these instructions were given as a result of his \_\_\_\_\_ desire to keep the confidentiality of the job intact.

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Continuation of FD-302 of \_\_\_\_\_, On 5/29/90, Page 3

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\_\_\_\_\_ stated he talked to \_\_\_\_\_ again approximately one month later. During that conversation, \_\_\_\_\_ stated he had gone to LINCOLN SAVINGS AND LOAN ASSOCIATION, talked to the Board of Directors and had gotten everything straightened out. \_\_\_\_\_ stated he did not press \_\_\_\_\_ to find out what \_\_\_\_\_ had said to the Board of Directors or to find out how he had straightened everything out, as it was none of his business because \_\_\_\_\_ was the boss.

\_\_\_\_\_ stated that prior to talking to \_\_\_\_\_ he had also talked to \_\_\_\_\_ by telephone. \_\_\_\_\_ had a position similar to \_\_\_\_\_ however, \_\_\_\_\_ at that time, was assigned to Chicago. \_\_\_\_\_ had performed the same job in Dallas before \_\_\_\_\_ and also had been an examiner on the LINCOLN SAVINGS AND LOAN examination. \_\_\_\_\_ stated he wanted to see if \_\_\_\_\_ had been getting the same rumors he had received. \_\_\_\_\_ advised he learned from \_\_\_\_\_ that they had not intended to examine the holding company, however, \_\_\_\_\_ had told his examiners to examine the holding company as it needed to be done. \_\_\_\_\_ stated that, ultimately, the holding company was examined.

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\_\_\_\_\_ stated that after the examination of LINCOLN SAVINGS AND LOAN ASSOCIATION was completed, he spoke again to \_\_\_\_\_. During this conversation, he got the impression from \_\_\_\_\_ that \_\_\_\_\_ felt the examination ultimately came out all right.

\_\_\_\_\_ stated he thinks \_\_\_\_\_ personal demeanor was another reason for the allegations of a cover-up. \_\_\_\_\_ expressed the opinion that \_\_\_\_\_ has his own way of doing things and sometimes his reasons are not completely explained to his subordinates. \_\_\_\_\_ stated he has no additional information relating to the allegations of a "white wash," or pertaining to any cover-up. All he heard were the rumors as set forth above.



FBI

## TRANSMIT VIA:

☐ Teletype  
☐ Facsimile  
☒ AIRTEL

## PRECEDENCE:

☐ Immediate  
☐ Priority  
☐ Routine

## CLASSIFICATION:

☐ TOP SECRET  
☐ SECRET  
☐ CONFIDENTIAL  
☐ UNCLAS E F T O  
☐ UNCLAS

Date 6/4/90

TO : SAC, PHOENIX (58C-PX-41605)  
 FROM : SAC, SEATTLE (58C-PX-41605) (RUC)

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,  
 DENNIS DECONCINI, JOHN GLENN,  
 JOHN MC CAIN, DONALD RIEGLE,  
 CHARLES H. KEATING, JR., dba  
 Lincoln Savings and Loan  
 Association of California (LSL),  
 and American Continental  
 Corporation (ACC),  
 Phoenix, Arizona;  
 CORRUPTION OF FEDERAL PUBLIC  
 OFFICIALS-LEGISLATIVE;  
 OO: PHOENIX/LOS ANGELES

Re 5/23/90 teletype from New York to the Director, and  
 Seattle teletype to the Director dated 5/30/90.

Enclosed for Phoenix is the original and one copy of an  
 FD-302, reflecting interview of [redacted] in Seattle,  
 Washington, on 5/29/90. Also enclosed for Phoenix are the  
 original interview notes of [redacted]. Enclosed for  
 Los Angeles are two copies of the noted [redacted] FD-302.

As all investigation in Seattle is complete, this  
 matter is considered RUC.

2 - Phoenix (Enc. 3)  
 ② - Los Angeles (Enc. 2) ✓  
 2 - Seattle (58C-PX-41605)  
 OEK:jmb  
 (6)

58C-PX-41605 89

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Approved: \_\_\_\_\_ Transmitted \_\_\_\_\_ (Number) (Time) Per \_\_\_\_\_

SARA

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TO FBI LOS ANGELES/ROUTINE/

FBI PHOENIX/ROUTINE/

FBI SEATTLE/ROUTINE/

BT

UNCLAS

CITE: //3540//

PASS:

SUBJECT: ALLEGATIONS CONCERNING US SENATORS ALAN CRANSTON,  
DENNIS DECONCINI, JOHN GLENN, JOHN MC CATN, DONALD RIEGLE;  
CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION  
OF CALIFORNIA (LSL) AND AMERICAN CONTINENTAL CORPORATION (ACC),  
PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS -  
LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

RENYTELCALL TO SA [REDACTED] PHOENIX DIVISION, JUNE 6,

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FOR INFORMATION OF PHOENIX, [REDACTED] INTERVIEWED JUNE 6,

1990. [REDACTED]

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[REDACTED] CHARLES KEATING AND KEATING'S ATTORNEY, [REDACTED] TO

DISCUSS KEATING'S OBJECTIONS TO THE FINDINGS OF AN EXAMINATION OF  
LSL. KEATING PRESENTED [REDACTED] WITH A PACKAGE OF DOCUMENTS  
OUTLINING HIS COMPLAINTS. THE PACKAGE, OR FILE CONSISTED OF A  
COVER MEMO DIRECTED TO [REDACTED] AND COPIES OF  
NEWSPAPER CLIPPINGS WHICH SHOWED, ACCORDING TO KEATING, THAT THE  
SAN FRANCISCO BANK DISTRICT HAD LEAKED CONFIDENTIAL INFORMATION  
TO THE PRESS REGARDING LSL. [REDACTED] HAS RETAINED A COPY OF THIS  
FILE AND WILL PROVIDE TO NEW YORK ON JUNE 8, 1990. IT IS

[REDACTED] OPINION THAT THIS FILE IS NOT MEANINGFUL ALTHOUGH IT HAS  
BEEN THE TOPIC OF MUCH DISCUSSION.

[REDACTED] ALSO CONFIRMED THAT [REDACTED] HAD RECEIVED TELEPHONE  
CALLS FROM SENATORS CRANSTON AND DECONCINI IN APRIL, 1989.  
CRANSTON'S CALL CAME TO [REDACTED] AT HIS RESIDENCE IN THE EVENING  
AND DECONCINI'S CALL FOLLOWED AT APPROXIMATELY 6:00 AM THE  
FOLLOWING MORNING. BOTH SENATORS URGED [REDACTED] TO MEET FORMER  
CONGRESSMAN JOHN ROUSSELOT REGARDING HIS PROPOSAL TO PURCHASE  
LSL, AND TO GIVE THE PROPOSAL SERIOUS CONSIDERATION.

[REDACTED] CHARACTERIZED THE CALLS RECEIVED BY [REDACTED] AS HIGHLY UNUSUAL. IN THAT IT IS GENERALLY VERY DIFFICULT TO GET A SENATOR TO MAKE A PERSONAL TELEPHONE CALL TO ANYONE. SINCE [REDACTED] HAD PREVIOUSLY MET WITH ROUSSELOT SEVERAL TIMES TO DISCUSS LSL, [REDACTED] STATED THAT THERE WAS NO NEED FOR ANYONE TO INTERVENE AND ARRANGE ANOTHER MEETING WITH HIM. NEVERTHELESS, [REDACTED] AGAIN MET WITH ROUSSELOT ON THE DAY AFTER DECONCINI'S CALL TO [REDACTED]

AFTER RECEIVING THE CALLS MENTIONED ABOVE, [REDACTED] DIRECTED [REDACTED] TO CONTACT THE STAFFS OF CRANSTON AND DECONCINI TO REQUEST THEY STOP CONTACTING HIM RE LSL. NO FURTHER CALLS WERE RECEIVED AFTER THIS.

[REDACTED] WAS PRESENT AT THE APRIL, 1988 MEETING OF THE PHLB BOARD AT WHICH THE ENFORCEMENT REVIEW COMMITTEE (ERC) RECOMMENDED THAT THE BOARD CONDUCT AN INDEPENDENT EXAMINATION OF LSL AND OBTAIN A SUPERVISORY AGREEMENT WITH THEM. [REDACTED] VOTED IN FAVOR OF THIS RECOMMENDATION AND [REDACTED] VOTED AGAINST. DURING THIS MEETING, [REDACTED] A MEMBER OF THE ERC, STATED THAT THE CONTINUED PRESENCE OF CHARLES KEATING AT LSL WAS CRITICAL TO LSL'S SURVIVAL AND TO REMOVE HIM WOULD SURELY BE

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HARMFUL TO THE ARIZONA REAL ESTATE MARKET.

FD-302S TO FOLLOW.

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## FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 5/18/90

[redacted] Office of Thrift Supervision (OTS), New York, New York, telephone [redacted] was contacted at his place of employment. After being advised of the identity of the interviewing Agent and the nature of the interview, [redacted] provided the following information:

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[redacted] stated that in approximately July, 1988 he received a telephone call from [redacted] [redacted] the Lincoln Savings and Loan Association (LSL) of California. [redacted] was working on an unrelated matter in Dallas, Texas at the time of the telephone call.

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[redacted] recalled that [redacted] mentioned that [redacted] concerns that the exam was a white wash. After discussing the matter with [redacted] both agreed that the problems concerning the LSL examination were related to the inexperience [redacted] and his inability to effectively manage the exam rather than an attempt to white wash the findings.

[redacted] did, however, pass on the concerns to [redacted] also of the New York FHLB District. [redacted] was in California at this time for a meeting. [redacted] stated that [redacted] relayed the information to [redacted] in Washington.

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[redacted] concluded that neither he nor [redacted] were involved in the LSL examination and [redacted] does not believe that any white wash was attempted during the exam. [redacted] is now the District Director of the OTS in Seattle, Washington.

Investigation on 5/16/90 at New York, New York File # 58C-PX-41605 - 91  
by SA [redacted] Date dictated 5/18/90

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## FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 6/8/90

[redacted] Office of Thrift Supervision, Department of the Treasury, 10 Exchange Place, Jersey City, New Jersey 07302, telephone [redacted] extension [redacted] home address [redacted] New York 11550, telephone [redacted] voluntarily appeared at the New York Office of the Federal Bureau of Investigation. After being advised of the identity of the interviewing Agent and the nature of the interview, [redacted] provided the following information:

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[redacted] the Federal Home Loan Bank (FHLB) New York, New York. At this time, [redacted] was assigned to take part in an independent examination of the LINCOLN SAVINGS AND LOAN ASSOCIATION OF CALIFORNIA (LSL). [redacted]

[redacted]

[redacted] stated that although this exam was meant to be conducted by expert examiners from around the country, a few examiners [redacted] had minimal experience. [redacted] stated that [redacted]

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[redacted] While conducting certain tests, the examiners were instructed to stop at points where they normally would continue. Because of the unique way the exam was structured, divided into three separate areas of responsibility, a duplication of work would have resulted unless each team remained within the examination areas they were specifically responsible for. [redacted]

[redacted]

[redacted]

[redacted] admitted that the exam was poorly organized.

[redacted] was not advised of the findings in the other areas which may have impacted on his own. [redacted] was concerned that the holding company

Investigation on 5/31/90 at New York, New York File # 58C-PX-41605-92  
by SA [redacted] Date dictated 6/4/90

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Continuation of FD-302 of [REDACTED], On 5/31/90, Page 2

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for LSL was not scheduled to be examined by any of the three teams. Although the holding company represented only five percent of LSL'S Assets, a large amount of losses were being attributed to it.

[REDACTED] telephonically contacted [REDACTED]  
[REDACTED] regarding his  
concern that the holding company was being overlooked. [REDACTED]  
[REDACTED]

never believed that there was any attempt to white wash the findings of this exam but rather, stated that the exam was managed poorly due to the relative inexperience [REDACTED]  
[REDACTED] a large exam.

Other examiners from the New York District assigned to the exam were [REDACTED]  
[REDACTED]

At the conclusion of the exam, the examiners concurred with the negative results of a previous exam that was conducted by the San Francisco Bank District and LSL was placed into receivership in 1989.

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[REDACTED] stated that because of his concerns, the holding company of LSL was examined. [REDACTED] was not involved with the examination of the holding company.

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[REDACTED] does not know if it was a coincidence or by design, but shortly after he contacted [REDACTED] about his concern about the holding company being overlooked, he received a letter from [REDACTED] Federal Home Loan Bank, Office of Regulatory Policy. The letter, dated August 17, 1988, requested that [REDACTED] not discuss matters relating to the LSL exam with anyone except other members of the examination team. [REDACTED] provided the interviewing Agent with a copy of this letter.

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## FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 6/7/90

[redacted]  
[redacted] FEDERAL HOME LOAN BANK (FHLB) BOARD. [redacted]  
[redacted] New York,  
New York, telephone [redacted] home address [redacted]  
[redacted] New York, New York 10024, telephone [redacted]  
voluntarily appeared at the New York Office of the Federal Bureau  
of Investigation. [redacted] attorney, [redacted] Washington,  
D.C., telephone [redacted] had agreed to have [redacted] interviewed  
without being present. After being advised of the identity of the  
interviewing Agent and that the interview concerned events that  
occurred [redacted] provided  
the following information:

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[redacted]  
[redacted]

(X)  
P. 1

In late 1987, [redacted]  
[redacted] that CHARLES KEATING, doing business as  
LINCOLN SAVINGS AND LOAN ASSOCIATION OF CALIFORNIA (LSL) was  
alleging that he was being harassed by examiners from the San  
Francisco Bank District. The examiners had been inside his  
institution for eighteen months and KEATING was not happy with  
their findings.

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In early 1988, KEATING wanted to speak personally with  
[redacted] about his  
complaints but [redacted] refused to see him. [redacted]  
[redacted] asked [redacted] to see KEATING and [redacted] agreed.

Present at the meeting were Keating, [redacted]  
KEATING'S attorney, [redacted] did not  
specifically recall [redacted] being present  
at this meeting. This was the only meeting with KEATING that  
[redacted] ever attended.

During the meeting, KEATING presented his case that he  
was being harassed by the San Francisco District and stated that  
LSL was solvent. KEATING provided [redacted] with a package of

Investigation on 6/6/90 at New York, New York File # 58C-PX-41605-93  
by SA [redacted] Date dictated 6/7/90

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Continuation of FD-302 of \_\_\_\_\_, On 6/6/90, Page 2

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documents, approximately 1/2 inch thick, related to his argument. The package, or "file" as it has been called, consisted of a two or three page cover memo and attachments. The cover memo, which was on AMERICAN CONTINENTAL CORPORATION letterhead and was directed to \_\_\_\_\_ outlined KEATING'S complaints. It detailed certain findings of the examiners and KEATING'S responses to those findings. KEATING also alleged that the San Francisco District had leaked confidential information regarding LSL to the press. The attachments to the memo were copies of press clippings which KEATING thought supported this allegation.

The "file" consisted only of the cover memo and copies of press clippings. It did not contain copies of the examiner's findings or copies of any examination documents.

\_\_\_\_\_ both read the file. \_\_\_\_\_ maintained the file following the meeting and gave it to \_\_\_\_\_ for him to read. \_\_\_\_\_ stated that \_\_\_\_\_ and \_\_\_\_\_ discussed the memo and its possible repercussions. They agreed that if the allegations were true, that this was a fairly serious matter.

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After giving the file to \_\_\_\_\_ of his meeting with KEATING and the file which KEATING had provided. Subsequently, \_\_\_\_\_ both requested copies of the file. \_\_\_\_\_ believes that the file was still in \_\_\_\_\_ custody when these requests were received.

\_\_\_\_\_ stated that \_\_\_\_\_ did not want to be put into the position of brokering copies of this file to others so approximately one week after his meeting with KEATING he instructed \_\_\_\_\_ to retrieve the file from \_\_\_\_\_ and return it to KEATING. \_\_\_\_\_ thought that if KEATING wanted anyone else to see the file he could give it out himself.

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When \_\_\_\_\_ went to see \_\_\_\_\_ she was given the original file and two copies. \_\_\_\_\_ did not copy the file. \_\_\_\_\_ telephonically contacted \_\_\_\_\_ and requested that he come and take back the file and \_\_\_\_\_ did. \_\_\_\_\_ instructed \_\_\_\_\_ to destroy the two copies and it was her intention to do so. However, in May, 1989, \_\_\_\_\_ discovered the two copies and realized that she had forgotten to destroy them. By this time, the "file" had become the topic of much discussion and curiosity. \_\_\_\_\_ decided to destroy one of the copies and she retained the other. This copy is still in her possession and \_\_\_\_\_ agreed to provide a copy of it to the interviewing Agent.

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Continuation of FD-302 of \_\_\_\_\_, On 6/6/90, Page 3

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\_\_\_\_\_ stated that she has not shown this file to anyone because no one has ever asked her to see it. \_\_\_\_\_ did not provide a copy of the file to \_\_\_\_\_ or anyone else. \_\_\_\_\_ has stated that she has seen the file and based on the fact that she described it accurately during her testimony before the Senate Ethics Committee, \_\_\_\_\_ believes that \_\_\_\_\_ did see the file.

\_\_\_\_\_ stated that \_\_\_\_\_ never asked her to check with KEATING before disseminating copies of the file because disseminating copies was not considered. That is the reason why the file was returned to KEATING.

It is \_\_\_\_\_ opinion that the contents of the file are not meaningful and too much was made of this "secret file".

\_\_\_\_\_ was next asked about any telephone calls received by \_\_\_\_\_ regarding the proposed sale of LSL to an investment group headed by former Congressman JOHN ROUSSELOT. \_\_\_\_\_ recalled being contacted at her home by \_\_\_\_\_ one evening in April, 1989 at approximately 10:30 PM. \_\_\_\_\_ told her that he had just received a telephone call at his Arlington, Virginia apartment from Senator Alan Cranston regarding the proposed ROUSSELOT acquisition of LSL. CRANSTON requested that \_\_\_\_\_ give the proposal every consideration and work with ROUSSELOT. CRANSTON also requested that \_\_\_\_\_ meet with ROUSSELOT to discuss the matter. \_\_\_\_\_ had already met with ROUSSELOT several times in \_\_\_\_\_ presence to discuss the proposal and was willing to meet with him again.

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\_\_\_\_\_ stated that \_\_\_\_\_ was surprised to have received this telephone call from CRANSTON at his residence, particularly since his telephone number was unlisted. CRANSTON had apparently gotten the number from \_\_\_\_\_

\_\_\_\_\_ requested that \_\_\_\_\_ locate ROUSSELOT and arrange a meeting. \_\_\_\_\_ did so and a breakfast meeting was arranged for the next day at the University Club in Washington, D.C..

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On the following morning at approximately 6:00 AM \_\_\_\_\_ received another telephone call from \_\_\_\_\_ told her that he had just received a telephone call at his apartment from Senator DENNIS DeCONCINI. DeCONCINI also requested \_\_\_\_\_ to give the ROUSSELOT proposal serious consideration. DeCONCINI told \_\_\_\_\_ that this sale would be good for the State of Arizona because of LSL'S large real estate holdings there. \_\_\_\_\_ advised DeCONCINI that a breakfast meeting was already arranged.

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Continuation of FD-302 of [REDACTED], On 6/6/90, Page 4

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[REDACTED] stated that the amount of attention the ROUSSELOT issue was receiving from two United States Senators disturbed [REDACTED]. During the time the ROUSSELOT proposal was before the Board, [REDACTED] had received several other telephone calls from the offices of CRANSTON and DeCONCINI but [REDACTED] stated that no more than three calls were from the Senators themselves.

. After receiving the calls at his residence from CRANSTON and DeCONCINI, and after the breakfast meeting with ROUSSELOT (which was uneventful) [REDACTED] instructed [REDACTED] to contact the Senators' offices and tell them that he was aware of their interest in the ROUSSELOT proposal and to request that they stop contacting him regarding that matter. After [REDACTED] made this request no further calls were received from CRANSTON or DeCONCINI regarding LSL.

[REDACTED] considered the calls from the Senators to [REDACTED] to be highly unusual. [REDACTED]

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[REDACTED] it is very difficult to get a United States Senator to make a telephone call in support of an issue for any reason. In this case, [REDACTED] had received calls at his residence from two Senators within a 24 hour time period and it was evident that the Senators had to expend some effort to even obtain [REDACTED] telephone number.

[REDACTED] stated that the sale of LSL to ROUSSELOT did not occur. During their meetings with ROUSSELOT, [REDACTED] found him unable to answer many substantive questions related to the acquisition. It was suspected that ROUSSELOT was perhaps attempting to purchase LSL on behalf of CHARLES KEATING. The attorney who accompanied ROUSSELOT to several of the meetings with [REDACTED] was better able to answer questions that [REDACTED] felt a prudent investor would know the answers to.

[REDACTED] stated that the Enforcement Review Committee (ERC) comprised of [REDACTED]

[REDACTED] investigated the conflict between KEATING and the San Francisco District. At the April, 1988 FHLB Board meeting the ERC recommended that a new examination of LSL be conducted by impartial experts from within the FHLB system. If the exam showed that KEATING'S allegations were true and that LSL was solvent, LSL would be permitted to be supervised by a District other than San Francisco. [REDACTED] under the recommendation, would be the Supervising Agent for LSL during the time of the examination.

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Continuation of FD-302 of \_\_\_\_\_, On 6/6/90, Page 5

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\_\_\_\_\_ recalled that during this meeting, \_\_\_\_\_ stated that the continued presence of KEATING at LSL would be critical to LSL'S survival and to remove him would surely be harmful to the Arizona real estate market.

\_\_\_\_\_ The Board voted on the ERC's recommendation with \_\_\_\_\_ and \_\_\_\_\_ voting in favor and \_\_\_\_\_ voting against a new examination.

\_\_\_\_\_ provided the interviewing Agent with a copy of an Affidavit which she had provided to the Senate Ethics Committee in April, 1990. \_\_\_\_\_ also agreed to provide a copy of the "file" provided by KEATING to \_\_\_\_\_ at their meeting in early 1988.

At the conclusion of the interview, \_\_\_\_\_ stated that

\_\_\_\_\_



UNITED STATES DEPARTMENT OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATION

AIRTEL

DATE: 6/8/90

TO: SAC, PHOENIX (58C-PX-41605)  
FROM: ADIC, NEW YORK (58C-PX-41605) (RUC)

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, DENNIS DECONCINI, JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION OF CALIFORNIA (LSL) AND AMERICAN CONTINENTAL CORPORATION (ACC), PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

RE Phoenix teletype to New York, 5/10/90.

Enclosed for Phoenix are the original and two copies of FD-302s reflecting interviews of [redacted] the original interview notes for each [redacted] interview, and a copy of a "file" that was provided by [redacted] This file was given to [redacted] by CHARLES KEATING during a meeting in January, 1988. Enclosed for Los Angeles is one copy of the above mentioned FD-302s.

Referenced Teletype also requested that [redacted] be interviewed by New York. [redacted] is now the District Director of the Office of Thrift Supervision in Seattle, Washington and New York set out the lead to Seattle to interview [redacted] via a teletype dated 5/23/90.

Since no further investigation remains at New York, this matter is being considered RUC.

2 - PHOENIX (ENC. 13)  
2 - LOS ANGELES (ENC. 3)  
1 - NEW YORK  
LCM;lcm  
(5)

58C-PX-41605-94

SEARCHED	INDEXED
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JUN 18 1990	
FBI - LOS ANGELES	

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FBI

## TRANSMIT VIA:

☒ Teletype  
☒ Facsimile  
☐ \_\_\_\_\_

## PRECEDENCE:

☐ Immediate  
☐ Priority  
☒ Routine

## CLASSIFICATION:

☐ TOP SECRET  
☐ SECRET  
☐ CONFIDENTIAL  
☐ UNCLAS E F T O  
☒ UNCLAS

Date 6/6/90

1 FROM FBI LOS ANGELES (58C-PX-41605) (SARA-1) (P)  
 2 TO FBI WMFO (58C-PX-41605)/ROUTINE/ *PST 845A 6/8/90*  
 3 FBI PHOENIX (58C-PX-41605)/ROUTINE/ *PST 847A 6/8/90*  
 4 BT  
 5 UNCLAS

6 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,  
 7 DENNIS D. DECONCINI, JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE;  
 8 CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION  
 9 OF CALIFORNIA AND AMERICAN CONTINENTAL CORPORATION, PHOENIX,  
 10 ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE;  
 11 OO: PHOENIX/LOS ANGELES.

12 RE WMFO AIRTEL TO LOS ANGELES DATED 4/17/90.

13 FOR INFORMATION OF WMFO, INVESTIGATION HAS SHOWN THAT AT  
 14 LEAST TWO AIDES OF CAPTIONED SENATORS TRAVELED TO PHOENIX,  
 15 ARIZONA, TO VIEW THE AMERICAN CONTINENTAL CORPORATION (ACC)  
 16 OPERATIONS, AND THAT AT LEAST ONE OF THE AIDES TRAVELED AT ACC  
 17 EXPENSE.

18 ON 6/4/90, [REDACTED] CONGREGATIONAL AFFAIRS, FBIHQ, (202)  
 19 324-4515, ADVISED THAT SENATE PUBLIC FINANCIAL DISCLOSURE REPORTS  
 20 SHOULD BE OBTAINED FROM THE SECRETARY OF THE SENATE THROUGH WMFO.  
 21

*FAJ/cs*

*58C-PX-41605-95*

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Approved: *LCC/m*Transmitted *for a BSA*

(Number)

(Time)

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PAGE TWO (58C-PX-41605) LOS ANGELES UNCLAS

LEADS WMFO, AT WASHINGTON, D.C.: OBTAIN COPIES OF SENATE PUBLIC FINANCIAL DISCLOSURE REPORTS FOR THE YEARS 1984 THROUGH 1989, FOR THE FOLLOWING INDIVIDUALS:

(1) SENATOR CRANSTON'S AIDES [REDACTED]

[REDACTED]

(2) SENATOR DECONCINI'S AIDES [REDACTED]

[REDACTED]

(3) SENATOR MCCAIN'S AIDES, [REDACTED]

[REDACTED]

(4) SENATOR GLENN'S AIDE, [REDACTED]

(5) SENATOR RIEGLE'S AIDES, [REDACTED]

[REDACTED]

(6) SENATE BANKING COMMITTEE STAFFER [REDACTED]

[REDACTED]

OBTAIN COPIES OF FINANCIAL DISCLOSURE REPORTS FROM THE OFFICE OF GOVERNMENT ETHICS FOR THE YEARS 1987 THROUGH 1989, FOR FEDERAL HOME LOAN BANK BOARD (NOW KNOWN AS THE OFFICE OF THRIFT SUPERVISION) [REDACTED]

[REDACTED]

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FBI

## TRANSMIT VIA:

☒ Teletype  
☒ Facsimile  
☐ \_\_\_\_\_

## PRECEDENCE:

☐ Immediate  
☐ Priority  
☒ Routine

## CLASSIFICATION:

☐ TOP SECRET  
☐ SECRET  
☐ CONFIDENTIAL  
☐ UNCLAS E F T O  
☒ UNCLAS
Date 6/11/90

1 FM FBI LOS ANGELES (58C-PX-41605) (SARA) (P)

2 TO DIRECTOR FBI/ROUTINE/ *755 435P 6/11/90*3 FBI WMFO/ROUTINE/ *755 440P 6/11/90*4 INFO FBI PHOENIX/ROUTINE/ *755 445P 6/11/90*

5 BT

6 UNCLAS

7 CITE: //3410:0670//

8 PASS: SSA  PUBLIC CORRUPTION UNIT.

9

10 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,

11 DENNIS DECONCINI, JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE; CHARLES

12 H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN ASSOCIATION OF

13 CALIFORNIA AND AMERICAN CONTINENTAL CORPORATION, PHOENIX,

14 ARIZONA; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE;

15 OO: PHOENIX/LOS ANGELES (58C-PX-41605).

16 CHARLES KEATING, JR., CHAIRMAN, AMERICAN CONTINENTAL CORPORATION,

17 PHOENIX, ARIZONA; UNSUBS, PRINCIPALS AND OFFICERS OF AMERICAN

18

19 3 - Los Angeles

20 (1 - 58C-PX-41605)

21 (1 - 56C-LA-101615)

(1 - 58A-LA-111204)

*JAJ* JAJ/cpt  
 (3)

58C-PX-41605-96  
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SERIALIZED *6/11/90*Approved: *JAJ*Transmitted *fax at 5:00A*

(Number)

(Time)

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PAGE TWO (58C-PX-41605)

CONTINENTAL CORPORATION; UNSUBS, PRINCIPALS AND OFFICERS OF  
LINCOLN SAVINGS AND LOAN ASSOCIATION, IRVINE, CALIFORNIA;  
ELECTION LAW VIOLATIONS; OO: LOS ANGELES (56C-LA-101615).

[REDACTED] THE FEDERAL HOME LOAN BANK  
BOARD, WASHINGTON, D.C.; CHARLES H. KEATING, JR., DBA LINCOLN  
SAVINGS AND LOAN, IRVINE, CALIFORNIA; CORRUPTION OF FEDERAL  
PUBLIC OFFICIALS - EXECUTIVE BRANCH; OO: LOS ANGELES (58A-LA-  
111204).

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RE SANTA ANA SA [REDACTED] TELCALL TO PUBLIC  
CORRUPTION UNIT SSA [REDACTED] ON 6/8/90, AND SA [REDACTED]  
TELCALLS WITH WMFO RELIEF SUPERVISOR [REDACTED] ON 6/8/90.

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AS DISCUSSED IN REFERENCED TELCALLS, LOS ANGELES SA'S  
[REDACTED] INTEND TO TRAVEL TO WMFO 6/18/90  
THROUGH 6/23/90 FOR THE PURPOSE OF CONDUCTING INTERVIEWS IN  
CAPTIONED MATTERS. INTERVIEWS ARE PLANNED OF THE FOLLOWING:

1. [REDACTED]  
CALIFORNIA TAX-EXEMPT ORGANIZATIONS CENTER FOR PARTICIPATION IN  
DEMOCRACY AND ORGANIZING INSTITUTE. CPD AND OI RECEIVE DIRECTLY  
OR INDIRECTLY \$725,000 FROM AMERICAN CONTINENTAL CORPORATION IN  
1987 AND 1988. [REDACTED]

2. [REDACTED]

[REDACTED] WILL BE ASKED ABOUT CRANSTON'S OFFICE'S CONTACTS WITH  
THE FEDERAL HOME LOAN BANK BOARD ON BEHALF OF CHARLES KEATING.

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3. [REDACTED]

WILL BE INTERVIEWED REGARDING HER TELEPHONE CALLS TO FHLBB  
[REDACTED] ON BEHALF OF KEATING, AND HER TRAVEL TO  
PHOENIX, ARIZONA, IN APRIL 1987 AT AMERICAN CONTINENTAL'S  
EXPENSE.

4. [REDACTED]

[REDACTED] WILL BE  
INTERVIEWED REGARDING SERVICES RIEGLE'S STAFF PERFORMED ON BEHALF  
OF KEATING AND REGARDING [REDACTED] TRAVEL WITH RIEGLE TO VISIT  
KEATING IN PHOENIX IN MARCH 1987.

5. [REDACTED]

LOBBIED SENATOR  
CRANSTON AND PERHAPS OTHERS IN EARLY 1989 REGARDING KEATING'S  
DESIRE THAT THE FHLBB APPROVE THE SALE OF LINCOLN SAVINGS.

6. [REDACTED]

FHLBB. [REDACTED]  
REPORTEDLY LOBBIED THE FHLBB ON BEHALF OF KEATING REGARDING  
KEATING'S PROPOSED SALE OF LINCOLN SAVINGS IN 1989. [REDACTED] IS  
ALSO REPORTEDLY KNOWLEDGEABLE ABOUT THE CIRCUMSTANCES OF [REDACTED]

7. [REDACTED]

8. [REDACTED]

[REDACTED] IS REPORTEDLY KNOWLEDGEABLE ABOUT  
KEATING'S SUCCESSFUL ATTEMPT TO HAVE [REDACTED]

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PAGE FOUR (58C-PX-41605)

NO ASSISTANCE OF WMFO IS REQUIRED. SAC, WMFO, AND SAC, LOS ANGELES CONCUR WITH PROPOSED TRAVEL.

BT

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/1/90

[redacted] 300 Capitol Mall, Suite 350, Sacramento, California, [redacted] was contacted by telephone. After being advised of the interviewing agent's identity, [redacted] provided the following information:

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[redacted] advised that [redacted] CALIFORNIA DEMOCRATIC PARTY, and that in 1986 [redacted] CALIFORNIA DEMOCRATIC PARTY. [redacted] added that [redacted]

[redacted] was asked whether he knew where the CALIFORNIA DEMOCRATIC PARTY records relating to a contribution made by AMERICAN CONTINENTAL CORPORATION (ACC) in October 1986 were located, so that a subpoena could be obtained for the purpose of obtaining the documentation. [redacted] responded that no subpoena would be necessary and that he would provide a photocopy of the check in question. [redacted] stated that party maintained no record of who solicited the contribution.

[redacted] explained that all contributions to the CALIFORNIA DEMOCRATIC PARTY went to one bank account, and then were disbursed to various projects, such as "Get Out the Vote" projects.

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[redacted] stated that he believed that the most knowledgeable persons about the 1986 "Get Out the Vote" drive was [redacted]

[redacted] stated he would attempt to locate telephone numbers for [redacted]

[redacted] advised that he would also look for any documentation relating to the October 1988 lease of computer equipment to the CALIFORNIA DEMOCRATIC PARTY from the Center for Participation in Democracy, and would provide such documentation to the Federal Bureau of Investigation.

Investigation on 5/24/90 at Santa Ana, California File # 58C-PX-41605 -97  
(Telephonic)

by SA [redacted] kbg Date dictated 5/24/90

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58C - Px 4/16/98

07/11/15

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/13/90

[redacted] also known as [redacted] date of  
birth [redacted]  
[redacted] was interviewed [redacted]  
[redacted]  
[redacted] The interview was conducted  
under the terms of an agreement [redacted]  
[redacted]  
[redacted] the original of which is attached hereto. [redacted] provided  
the following information:

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[redacted]

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[redacted]

[redacted]

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Investigation on 6/12/90 at [redacted] file # 56C-LA-101615  
58C-PX-41605 ✓-  
by SA [redacted] /lkh Date dictated 6/13/90

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/27/90

JOHN ROUSSELOT, date of birth November 1, 1927, was interviewed at his place of business, ALCADE AND ROUSSELOT, 1901 Fort Myer Drive, 12th Floor, Roslyn, Virginia, (703) 841-0626. After having been advised of the identities of the interviewing agents and the nature of the interview, ROUSSELOT provided the following information:

ROUSSELOT advised that he was elected to the United States Congress in 1970, representing the 26th District in California, and served in Congress through January, 1983. In 1983, ROUSSELOT was the Special Assistant for Business Liaison to President RONALD REAGAN. For the period 1985 through 1988, ROUSSELOT was the President of the NATIONAL COUNCIL OF SAVINGS INSTITUTIONS (NCSI), a trade association of savings banks and savings and loan associations. ROUSSELOT said he has been employed at ALCADE AND ROUSSELOT (on and off) since 1983.

ROUSSELOT stated that he knew BILL KEATING when they were together in Congress, and BILL KEATING first introduced him to CHARLES KEATING in approximately 1974. ROUSSELOT stated that he has been familiar with LINCOLN SAVINGS AND LOAN (LSL) for a long time, because former LSL owners ROY CROCKER and DON CROCKER were constituents of ROUSSELOT when he was in Congress. ROUSSELOT added that ROY CROCKER was active in ROUSSELOT's 1970 campaign for Congress.

ROUSSELOT advised that within a couple of months after CHARLES KEATING purchased LSL in 1984, KEATING and other AMERICAN CONTINENTAL CORPORATION (ACC) executives hired ROUSSELOT's firm to monitor legislation. ROUSSELOT added that in 1984, ROUSSELOT was also doing consulting work for the RONALD REAGAN presidential campaign. ROUSSELOT said he or his firm worked for KEATING and ACC through April of 1989, from time to time.

On behalf of ACC, ROUSSELOT consulted with FEDERAL HOME LOAN BANK BOARD (FHLBB) members regarding their positions on rules and regulations. ROUSSELOT explained that he knew FHLBB [redacted] previously, and he would contact [redacted] on behalf of ACC to get [redacted] opinion on what would happen regarding certain rules and regulations. ROUSSELOT said that the issues ACC was concerned

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Investigation on 6/19/90 at Roslyn, Virginia File # LA 58C-PX-41605-99  
by SA [redacted] SA [redacted] /JAJ/lkh Date dictated 6/25/90

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LA 58C-PX-41605

Continuation of FD-302 of JOHN ROUSSELOT, On 6/25/90, Page 2

with were primarily related to direct investments. ROUSSELOT said that most of his effort during the last year he worked for ACC was to find a buyer for LSL. ROUSSELOT said this effort began in approximately January, 1988. ROUSSELOT stated that he had no involvement in selections made to the FHLBB. ROUSSELOT added he was invited by the White House to attend the [redacted] and [redacted] swearing in ceremonies. ROUSSELOT explained that he was not aware of any lobbying by KEATING regarding the [redacted] nominations to the FHLBB; although, KEATING, [redacted] and possibly others, probably mentioned ACC's interest in these nominations to ROUSSELOT. ROUSSELOT said he believed ACC executives had talked to White House Chief of Staff DON REGAN about [redacted] ROUSSELOT added that sometime after REGAN had left the White House, ROUSSELOT had a discussion with REGAN about his efforts to get [redacted] to become more reasonable. ROUSSELOT emphasized that he did no lobbying regarding FHLBB nominations or regarding ACC's dissatisfaction with [redacted]

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ROUSSELOT said that in late 1985, there was talk that [redacted] would leave his position in approximately December, 1986. In late 1985, the FHLBB's [redacted] met with KEATING. The night before this KEATING, [redacted] meeting, ROUSSELOT met with KEATING at the Four Seasons Hotel in Washington, D.C. ROUSSELOT said KEATING mentioned to him at this meeting that he would be meeting the next day with [redacted] to discuss [redacted] future. ROUSSELOT explained that [redacted] had discussed with KEATING in a "nebulous way" about [redacted] leaving the FHLBB and that [redacted] might be interested in a job. ROUSSELOT said [redacted] and KEATING met and discussed [redacted] coming to work for LSL or ACC. Both KEATING and [redacted] told ROUSSELOT about this meeting with [redacted] ROUSSELOT said KEATING and [redacted] told him that [redacted] said she would discuss the matter with [redacted] and [redacted] would get back to KEATING regarding the job possibilities.

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ROUSSELOT stated he met KEATING quite a few times as president of the NCSI and then later as a lobbyist.

LA 58C-PX-41605

Continuation of FD-302 of JOHN ROUSSELOT, On 6/25/90, Page 3

ROUSSELOT stated he could not recall any meetings in July, 1986, with KEATING; although, KEATING may have asked ROUSSELOT for advice. ROUSSELOT said he had discussed many things with KEATING, probably including the [REDACTED] nominations to the FHLBB. ROUSSELOT said KEATING "might" have mentioned that KEATING was in contact with DON REGAN regarding the 1986 FHLBB nominations. ROUSSELOT said KEATING supported [REDACTED] ROUSSELOT stated that NORMAN D'AMOUR might be more knowledgeable about this, because D'AMOUR handled the LSL account when ROUSSELOT was president of the NCSI. D'AMOUR is a former Congressman from New Hampshire, and is an attorney practicing out of his home in McLain, Virginia. ROUSSELOT stated that KEATING supported both [REDACTED] but that ROUSSELOT did not hear of any aggressive effort by KEATING regarding [REDACTED] ROUSSELOT added that the UNITED STATES LEAGUE OF SAVINGS INSTITUTIONS actively supported [REDACTED]

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ROUSSELOT stated that KEATING and ACC had an interest in several bills in Congress in the 1987-1988 period.

ROUSSELOT advised that the NCSI had a political action committee, and it contributed to Senator ALAN CRANSTON. ROUSSELOT stated he knew KEATING was contributing to CRANSTON and other senators on the SENATE BANKING COMMITTEE, but until he read it in the news, ROUSSELOT was not aware of the magnitude of KEATING's contributions to CRANSTON. ROUSSELOT explained that CRANSTON had many big contributors from California savings and loan associations, because CRANSTON's position had always been favorable to the savings and loan industry. ROUSSELOT said CRANSTON has support from Republican businessmen in California, because CRANSTON keeps in contact with them. By way of example, ROUSSELOT mentioned California Republicans JUSTIN DART, First Name Unknown (FNU) PACKARD, and DON CROCKER as CRANSTON supporters.

ROUSSELOT advised that in 1988, he located four different buyers, or groups of buyers, for LSL. In October, 1988, he became very active in obtaining a buyer for LSL, because

LA 58C-PX-41605

Continuation of FD-302 of JOHN ROUSSELOT, On 6/25/90, Page 4

several prospective buyers made inquiries. ROUSSELOT explained that in January or February of 1988, KEATING told ROUSSELOT he wanted to get out of the savings business, because he had too many problems with the regulators and they wanted him out of business. ROUSSELOT said KEATING's asking price for LSL was \$250 million.

ROUSSELOT stated that during 1988, KEATING would send him copies of memoranda exchanged between the FHLBB and ACC. ROUSSELOT said he was kept informed of the negotiations between ACC and FHLBB in 1988, but that he was not involved with them. Within a week after the examination of LSL was transferred out of San Francisco in May, 1988, ROUSSELOT was informed of the transfer. ROUSSELOT stated he still may have his files containing these memoranda. ROUSSELOT advised that several weeks after several United States Senators met with [ ] and then a week later with the San Francisco regulators, ROUSSELOT was informed of the meetings by [ ]. ROUSSELOT recalled that [ ] stated that these meetings would help LSL get a better sense of fairness from [ ].

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ROUSSELOT stated he is unaware of any lobbying done on behalf of ACC/LSL relating to the memorandum of understanding signed in May, 1988.

ROUSSELOT explained that [ ] was a supporter of [ ] and when [ ] went to the San Francisco FEDERAL HOME LOAN BANK, KEATING felt that he could not get a fair hearing in San Francisco. ROUSSELOT stated that KEATING was happy with the memorandum of understanding signed in May, 1988.

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ROUSSELOT advised that in September or October of 1988, his effort to sell LSL began to pick up. ROUSSELOT said KEATING wanted to keep the two hotels but was anxious to sell LSL.

ROUSSELOT advised that in approximately February, 1989, he was promoting [ ] as a buyer of LSL. ROUSSELOT said he took [ ] to see Congressmen WYLIE and GONZALES, and introduced [ ] as representing a group that would

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Continuation of FD-302 of JOHN ROUSSELOT, On 6/25/90, Page 5

return LSL to a traditional style savings and loan association. ROUSSELOT said he asked WYLIE and GONZALES to write WALL a letter saying that they were glad to see a buyer for LSL who would return LSL to a traditional style institution. ROUSSELOT said he supplied WYLIE and GONZALES a draft of the proposed letter, but both WYLIE and GONZALES wanted to think about his proposal before sending the letter. ROUSSELOT stated he later telephoned WYLIE and GONZALES and told them to forget about sending the letter.

ROUSSELOT identified [REDACTED]  
[REDACTED] Glendale, California.

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ROUSSELOT stated he learned from FHLBB member [REDACTED] that [REDACTED] the proposed sale of LSL to [REDACTED] ROUSSELOT stated he also took [REDACTED] to meet the staff of the SENATE BANKING COMMITTEE, in particular [REDACTED] ROUSSELOT said he asked the SENATE BANKING COMMITTEE staff that if the FHLBB telephones them, to say that they met with [REDACTED] ROUSSELOT stated he also "kept informed" committee members [REDACTED] ROUSSELOT said he also kept informed SENATE BANKING COMMITTEE staff member [REDACTED] and some of the staff of the HOUSE BANKING COMMITTEE.

ROUSSELOT said that FHLBB staff member [REDACTED] told him that [REDACTED] group could not raise the necessary capital to purchase LSL. ROUSSELOT stated that then the [REDACTED] Dallas, Texas, became interested, and ROUSSELOT attempted to negotiate a sale of LSL to [REDACTED] ROUSSELOT explained that [REDACTED] was in the business of private clubs, and their main interest was in the PHOENICIAN HOTEL, but that they also wanted the savings and loan association. ROUSSELOT stated he observed some of these negotiations, which went on for approximately three weeks, but that no agreement was reached with [REDACTED]

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ROUSSELOT said KEATING then suggested that ROUSSELOT raise the money and find the management necessary to purchase LSL. ROUSSELOT then organized a group of six individuals, two of whom had been involved in the sale of AMERICAN SAVINGS to [REDACTED]

LA 58C-PX-41605

Continuation of FD-302 of JOHN ROUSSELOT, On 6/25/90, Page 6

[ ] Another of the buyers was [ ] who was previously an executive at SEARS SAVINGS BANK. ROUSSELOT said this group reached an agreement with ACC to purchase LSL and began negotiating with the FHLBB for approval of the sale. ROUSSELOT stated that [ ] would not approve this sale, because this group raised only \$200 million, not the \$250 million [ ] wanted. ROUSSELOT added that [ ] also did not like the financing arrangement for the ROUSSELOT purchase. ROUSSELOT stated that CRANSTON did not tell him who CRANSTON was telephoning regarding the LSL proposed sale. ROUSSELOT stated that although he did not specifically recall it, he probably asked Congressman CARROLL HUBBARD to telephone [ ] regarding the proposed LSL sale. ROUSSELOT stated his thinking was that most Congressmen preferred a sale of LSL over a takeover of LSL.

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ROUSSELOT stated he did not recall talking to Senator DECONCINI, but that he may have. ROUSSELOT stated that KEATING had kept in contact with DECONCINI to encourage the sale of LSL.

ROUSSELOT stated he had no conversations with KEATING or [ ] regarding KEATING's campaign contributions, but that he was aware of some of KEATING's contributions, for example the contributions made to CRANSTON's 1986 campaign. ROUSSELOT stated that the dollar amounts of these contributions had never been discussed.

ROUSSELOT advised that the NCSI political action committee contributed to CRANSTON in 1986, at ROUSSELOT's recommendation, and that he had so recommended because CRANSTON had always been a supporter of the savings and loan point of view.

Regarding the 1989 proposed sale of LSL, ROUSSELOT stated he met with FHLBB member [ ] FHLBB member [ ] and [ ] ROUSSELOT stated that whenever he spoke with [ ] regarding the sale, [ ] would briefly discuss it and then refer his matter to his assistant [ ] who was somewhat handling the sale.

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Continuation of FD-302 of JOHN ROUSSELOT, On 6/25/90, Page 7

ROUSSELOT stated that he had met with FHLBB members on behalf of the NCSI from time to time, but he never met with FHLBB members on behalf of LSL until sometime after May of 1988.

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/3/90

[redacted] date of birth [redacted] residing  
at [redacted] was  
interviewed [redacted]

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[redacted] The interview was  
conducted according to an agreement [redacted]

[redacted] the original of which is attached hereto. Present  
during the entire interview were [redacted]

[redacted] United States Attorney [redacted] provided the  
following information:

[redacted] advised that [redacted]

[redacted] said she has never worked in any  
political campaigns.

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Investigation on 6/21/90 at [redacted] File # 58C-PX-41605-100  
by SA [redacted] /JAJ/cpt Date dictated 6/28/90

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FM FBI PHOENIX (58C-PX-41605) (P)

TO DIRECTOR FBI/PRIORITY/

FBI LOS ANGELES/PRIORITY/

FBI WMFO/PRIORITY/

BT

UNCLAS

CITE: //3630//

PASS: SSA [REDACTED] PUBLIC CORRUPTION UNIT; WMFO SA [REDACTED]  
[REDACTED]

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SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, ET  
AL; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN  
ASSOCIATION, AMERICAN CONTINENTAL CORPORATION; CPO-LEGISLATIVE;  
OO: PX/LA.

THE BUREAU IS REQUESTED TO AUTHORIZE THE INTERVIEW OF BELOW

**TELETYPE**

58C-PX-41605-101

SEARCHED	INDEXED
SERIALIZED	FILED
JUL 9 1990	
FBI - PHOENIX	
SARA [REDACTED]	

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PAGE TWO DE FBIPX 0001 UNCLAS

INDIVIDUALS DURING THE WEEK OF 7/16/90 IN WASHINGTON, DC:

1) [REDACTED] FEDERAL HOME LOAN BANK  
BOARD, [REDACTED] OFFICE OF THRIFT SUPERVISION EMPLOYEE  
WHO RECEIVED TELEPHONE CALLS FROM SUBJECTS. [REDACTED]

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2) [REDACTED] NOW EMPLOYED [REDACTED]

3) [REDACTED] ENFORCEMENT REVIEW COMMITTEE  
(ERC) WHICH CONSIDERED THE DISSOLUTION OF LINCOLN SAVINGS AND  
LOAN ASSOCIATION PROBLEMS AND FORWARDED RECOMMENDATIONS TO THE  
BANK BOARD. [REDACTED]

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4) [REDACTED] ERC WHICH CONSIDERED THE  
DISSOLUTION OF LINCOLN SAVINGS AND LOAN ASSOCIATION PROBLEMS AND  
FORWARDED RECOMMENDATIONS TO THE BANK BOARD. [REDACTED]

PAGE THREE DE FBIPX 0001 UNCLAS

11/17/88 AND 9/24/87.

- 5) [REDACTED] ERC WHICH CONSIDERED THE  
DISSOLUTION OF LINCOLN SAVINGS AND LOAN ASSOCIATION PROBLEMS AND  
FORWARDED RECOMMENDATIONS TO THE BANK BOARD. NOW RESIDING IN

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- 6) [REDACTED] ERC WHICH CONSIDERED THE  
DISSOLUTION OF LINCOLN SAVINGS AND LOAN ASSOCIATION PROBLEMS AND  
FORWARDED RECOMMENDATIONS TO THE BANK BOARD. NOW EMPLOYED BY THE

- 7) [REDACTED] OTS EMPLOYEE WHO ATTENDED THE ERC  
MEETINGS AND MAY HAVE HAD CONTACT WITH KEATING AND HIS  
ASSOCIATES.

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- 8) [REDACTED] OTS EMPLOYEE WHO ATTENDED THE ERC  
MEETINGS AND MAY HAVE HAD CONTACT WITH KEATING AND HIS  
ASSOCIATES.

- 9) [REDACTED] OTS EMPLOYEE WHO ATTENDED THE ERC  
MEETINGS AND MAY HAVE HAD CONTACT WITH KEATING AND HIS  
ASSOCIATES.

- 10) [REDACTED] OTS EMPLOYEE WHO ATTENDED THE ERC MEETINGS

PAGE FOUR DE FBIPX 0001 UNCLAS

AND MAY HAVE HAD CONTACT WITH KEATING AND HIS ASSOCIATES.

11) [REDACTED] TO SENATOR DENNIS DE  
CONCINI.

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12) [REDACTED] OF SENATOR DENNIS DE CONCINI.

13) [REDACTED] OF SENATOR JOHN MC CAIN.

14) [REDACTED] TO  
SENATOR JOHN MC CAIN.

15) [REDACTED] TO SENATOR JOHN  
MC CAIN.

16) [REDACTED] TO SENATOR JOHN MC  
CAIN.

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17) [REDACTED] TO SENATOR DONALD  
W. RIEGLE.

18) [REDACTED] OF SENATOR ALAN CRANSTON, (INITIAL  
INTERVIEW OF [REDACTED] WAS DONE PRIOR TO REVIEW OF THE DOCUMENTS  
SUBMITTED TO THE SENATE ETHICS COMMITTEE. IT IS BELIEVED  
DOCUMENTS NOW WILL REFRESH [REDACTED] MEMORY).

19) [REDACTED] TO SENATOR JOHN  
GLENN.

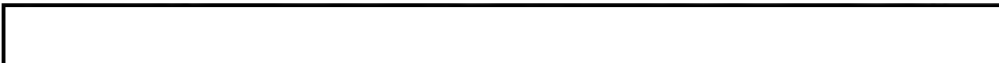
20) [REDACTED] TO SENATOR JOHN GLENN.

21) [REDACTED]

PAGE FIVE DE FBIPX 0001 UNCLAS

WHICH ACCEPTED DEPOSITS OF FUNDS CONTRIBUTED TO GLENN BY  
KEATING.

22)



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WHICH ACCEPTED DEPOSITS OF FUNDS CONTRIBUTED TO GLENN BY  
KEATING.

BT

#0001

NNNN



## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/11/90

[redacted]  
[redacted]  
Washington, D.C. telephone [redacted] Attorney for [redacted]  
[redacted] was contacted for a clarification of [redacted]  
contacts with Senator ALAN CRANSTON. After consulting with [redacted]  
[redacted] relayed the following information:

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[redacted] said [redacted] recalled having two telephone conversations with CRANSTON, the first of which occurred on January 20, 1988. [redacted] believes CRANSTON called him at his home. CRANSTON asked [redacted] about the supposed statement made by an examiner to [redacted] in San Francisco, California, regarding the examination of LINCOLN SAVINGS AND LOAN (LSL). [redacted] told CRANSTON about this, as [redacted] explained in his FEDERAL BUREAU OF INVESTIGATION (FBI) interview on June 19, 1990.

According to [redacted] then said to CRANSTON that if CRANSTON was a friend of CHARLES KEATING, CRANSTON should tell KEATING to get out of the savings and loan business, because there was so much contentiousness between the regulators and KEATING. [redacted] suggested that KEATING could set up a trustee to serve in his place, a trustee who would be respected by the regulators, with the idea to sell LSL. By way of example, [redacted] mentioned that the [redacted] WESTERN FEDERAL SAVINGS AND LOAN in Phoenix, Arizona, were having the same problems with the regulators, and [redacted] brought in an outside person to act as manager. [redacted] recalled the manager's name as First Name Unknown (FNU) [redacted] who was an individual acceptable to the regulators. [redacted] said that this trustee arrangement would give AMERICAN CONTINENTAL CORPORATION (ACC) time to dispose of LSL. [redacted] suggested to CRANSTON that [redacted] would be available to act as this trustee.

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According to [redacted] also pointed out to CRANSTON that one of LSL's problems was that it had too many direct investments. [redacted] also told CRANSTON that it was obvious that KEATING had been overly confrontational with the regulators, and that that was "pretty dumb."

Investigation on 7/10/90 at Santa Ana, California File # 58C-PX-41605-102  
(Telephonically)  
by SA [redacted] lkh Date dictated 7/10/90

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58C-PX-41605

Continuation of FD-302 of [REDACTED]

, On 7/10/90, Page 2

b6  
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[REDACTED] said [REDACTED] was very strong in telling CRANSTON that KEATING had to get out of the savings and loan business. [REDACTED] said that although [REDACTED] suggested he could act as trustee, [REDACTED] did not discuss specifics, such as what his fee would be, with CRANSTON.

[REDACTED] said [REDACTED] related that CRANSTON telephoned [REDACTED] a second time approximately one week or sooner after the first telephone conversation. In this second conversation, [REDACTED] reiterated some of the opinions he expressed in the first conversation. [REDACTED] said CRANSTON told him that KEATING was not interested in the trustee idea.

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[REDACTED] identified DAVID KARNES as a United States Senator who had previously worked for [REDACTED] at the DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD). [REDACTED] said [REDACTED] mentioned KARNES' name to CRANSTON strictly as a reference if CRANSTON wanted to learn of [REDACTED] background. [REDACTED] said [REDACTED] did not discuss this matter with KARNES.

[REDACTED] advised that [REDACTED] had no notes of these two conversations with CRANSTON, and that [REDACTED] account of the conversations were based on [REDACTED] memory.

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/27/90

[redacted] McClean, Virginia  
[redacted] telephone [redacted] was interviewed at his attorney's  
office in the presence of his attorney, [redacted] located at  
[redacted] Washington,  
D. C. 20007, telephone [redacted] was advised as to the  
identities of the interviewing agents and the purpose of the  
interview, at which time he advised as follows:

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[redacted] advised he is currently [redacted]  
[redacted]  
[redacted]  
Washington, D.C., telephone [redacted] date of birth  
is [redacted] and he was born [redacted]  
confirmed the fact he is a former member of the FEDERAL HOME LOAN  
BANK BOARD (FHLBB). [redacted]  
[redacted]

Prior to becoming a member of the FHLBB, [redacted]  
[redacted]  
[redacted]

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b7C

[redacted] advised his term with the FHLBB [redacted]  
[redacted]  
he was a member of the FHLBB, [redacted] and the  
[redacted]  
[redacted]

[redacted] confirmed the fact he is familiar with subsequent  
board members [redacted] He recalls in early  
[redacted]  
[redacted]

Investigation on 6/19/90 at Washington, D.C. File # 58C-PX-41605-103  
by SA [redacted] and  
SA [redacted] GKM/lkh Date dictated 6/20/90

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58C-PX-41605

Continuation of FD-302 of , On 6/19/90, Page 2

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b7C

b6  
b7C

confirmed the fact he was aware of a 1986 examination of LINCOLN SAVINGS AND LOAN (LSL).  made it a matter of policy not to get personally involved with exams or case issues.

58C-PX-41605

Continuation of FD-302 of , On 6/19/90, Page 3

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confirmed the fact he is very familiar with CHARLES KEATING, JR.  believes he had met CHARLES KEATING at various functions, however, never sat down and visited with KEATING

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58C-PX-41605

Continuation of FD-302 of \_\_\_\_\_

, On 6/19/90, Page 4b6  
b7C

\_\_\_\_\_

\_\_\_\_\_ added that at this time, he was well aware of a conflict or perceived "feud" between CHARLES KEATING, JR. \_\_\_\_\_ This conflict had been reported in the press, plus from working around \_\_\_\_\_ it was obvious he was not happy with the way CHARLES KEATING, JR. was running LSL. \_\_\_\_\_ had even made the statement to \_\_\_\_\_ that he believed CHARLES KEATING was having \_\_\_\_\_ followed. In addition, KEATING had initiated an investigation of expenses which had been incurred by \_\_\_\_\_. For this reason and the fact that it was a policy not to intervene in case issues, \_\_\_\_\_ did not want to get involved in a discussion or express opinions or judgement about the exam. \_\_\_\_\_ also felt he was in a very delicate position as a board member and did not want to jeopardize that position or his relationship with \_\_\_\_\_

\_\_\_\_\_ further advised the subject of \_\_\_\_\_ leaving his position as a board member was discussed. \_\_\_\_\_ was well aware

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\_\_\_\_\_

\_\_\_\_\_ emphasized the fact KEATING \_\_\_\_\_

\_\_\_\_\_

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 5/30/90

[redacted] Association of Thrift Holding Companies (ATHC), 900 17th Street, N.W., Suite 500, Washington, D.C., telephone [redacted] was interviewed in the presence of [redacted] Attorney, at [redacted] office, Loomis, Owen, Fellman and Howe, 2020 K Street, N.W., Suite 800, Washington, D.C., telephone [redacted] was advised of the interviewing agents' official identities, and that the interview concerned the investigation of problems in the savings and loan industry, after which he furnished the following information:

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ATHC opened on January 1, 1986, representing entities such as Citicorp, Ford and Sears, which are the "parents" or owners of thrifts. The holding company American Continental Corporation was a member, and paid dues for three years. Lincoln Savings and Loan Association of California (LSL) was not a separate member.

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Investigation on 5/7/90 at Washington, D.C. File # WMFO 58C-PX-41605-104

by SA [redacted] Date dictated 5/21/90

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/29/90

[redacted] Office of Thrift Supervision (OTS), Department of the Treasury, 1700 G Street, N.W., Washington D.C., telephone [redacted] was contacted at her place of employment and advised of the interviewing Special Agent's official identity and the nature of the interview, after which she furnished the following information:

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[redacted] stated that [redacted]  
[redacted]  
[redacted]  
[redacted]

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[redacted] made available the Financial Disclosure Reports filed during 1984-1989 by the personnel below, for OTS and the former Federal Home Loan Bank Board (FHLBB). Each report begins with spaces to mark "Incumbent," "New Entrant, Nominee or Candidate " (abbreviated below as "New"), or "Termination Filer" (abbreviated "Termination"). The interviewing Special Agent made photocopies of these Financial Disclosure Reports, as follows:

Investigation on 6/14/90 at Washington, D.C. File # WMFO 58C-PX-41605-105

by SA [redacted] Date dictated 6/29/90

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WMFO 58C-PX-41605

Continuation of FD-302 of , On 6//90, Page 2

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Reporting Individual Date of certification signature (as on form),  
type filing, and number of pages

Also contained in the folder regarding  were FHLBB memorandums dated February 15, 1989 and May 21, 1989, and a FHLBB letter to the Director, Office of Government Ethics, dated June 27, 1989, regarding no finding of conflicts or apparent conflicts of interest.



FBI

## TRANSMIT VIA:

☐ Teletype  
☐ Facsimile  
☒ AIRTEL

## PRECEDENCE:

☐ Immediate  
☐ Priority  
☐ Routine

## CLASSIFICATION:

☐ TOP SECRET  
☐ SECRET  
☐ CONFIDENTIAL  
☐ UNCLAS E F T O  
☐ UNCLAS

Date 6/29/90

TO : SAC, PHOENIX (58C-PX-41605)(P)  
 FROM *REX* SAC, WMFO (58C-PX-41605)(C-9)(NVMRA)(P)  
 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS  
 ALAN CRANSTON, DENNIS D. DE CONCINI,  
 JOHN GLENN, JOHN MC CAIN, DONALD REIGLE;  
 CHARLES H. KEATING, JR., dba  
 LINCOLN SAVINGS AND LOAN ASSOCIATION  
 OF CALIFORNIA (LSL) AND AMERICAN  
 CONTINENTAL CORPORATION (ACC),  
 PHOENIX, ARIZONA;  
 CORRUPTION OF FEDERAL PUBLIC  
 OFFICIALS-LEGISLATIVE;  
 OO: PX/LA

Re Phoenix airtel to the Bureau, dated 3/21/90, and Los Angeles teletype to WMFO, dated 6/6/90.

Enclosed for Los Angeles are the following:

(1) the original and two copies of the FD-302 of

(2) one envelope containing photocopies of Financial Disclosure Reports regarding

(3) one copy of "Instructions for Completing SF 278";

(4) two copies of the FD-302 OF

3-Los Angeles (SARA)(encls. 7)  
 2-Phoenix (encls. 7)  
 2-WMFO  
 REA:rea  
 (7)

58C-PX-41605-106

SEARCHED	INDEXED
SERIALIZED	FILED
JUN 30 1990	
FBI - LOS ANGELES	

1425  
1426  
1427  
1428

Approved: \_\_\_\_\_

Transmitted \_\_\_\_\_

(Number) (Time)

Per: \_\_\_\_\_

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58C-PX-41605  
REA:ra

Enclosed for Phoenix are the following:

- (1) two copies of the FD-302 of [REDACTED]
- (2) one envelope containing photocopies of Financial Disclosure Reports regarding [REDACTED]
- [REDACTED]

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- (3) the original and two copies of the FD-302 of [REDACTED]

- (4) a 1A envelope containing interview notes re [REDACTED]

For the information of receiving offices, [REDACTED] stated that she happened to include the memorandums and letter regarding review of [REDACTED] Financial Disclosure Reports for any conflicts or apparent conflicts of interest [REDACTED]

[REDACTED]

Investigation by WMFO continuing.

# Memorandum



To : SAC, LOS ANGELES (58C-LA-101615) (P)  
(SARA)

Date 7/17/90

From : SA [REDACTED]

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Subject: CHARLES KEATING, JR., CHAIRMAN,  
AMERICAN CONTINENTAL CORPORATION,  
PHOENIX, ARIZONA;  
UNSUBS,  
PRINCIPALS AND OFFICERS OF  
AMERICAN CONTINENTAL CORPORATION;  
UNSUBS,  
PRINCIPALS AND OFFICERS OF  
LINCOLN SAVINGS AND LOAN ASSOCIATION,  
IRVINE, CALIFORNIA;  
ELECTION LAW VIOLATION;  
OO: LOS ANGELES  
(56C-LA-101615)

ALLEGATIONS CONCERNING US SENATORS  
ALAN CRANSTON, DENNIS D. DECONCINI,  
JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE;  
CHARLES H. KEATING, JR., dba  
AMERICAN CONTINENTAL CORPORATION,  
PHOENIX, ARIZONA,  
AND LINCOLN SAVINGS AND LOAN ASSOCIATION,  
IRVINE, CALIFORNIA;  
CORRUPTION OF FEDERAL PUBLIC OFFICIALS-  
LEGISLATIVE;  
OO: PHOENIX/LOS ANGELES  
(58C-PX-41605)

(X)  
Jm

(Continued on Page 2)

6 - Los Angeles

- (1 - 56C-LA-101615)
- (1 - 58C-PX-41605)
- (1 - 194A-LA-108012)
- (1 - 58A-LA-111204)
- (2 - Imprest)

JAJ:lkh  
(6)

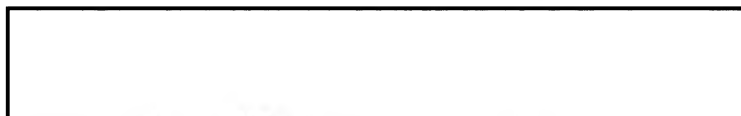
58C-PX-41605-107

SEARCHED	INDEXED
SERIALIZED	FILED
JUL 31 1990	
FBI - LOS ANGELES	

[REDACTED]

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(Subject Continued From Page 1)



CHARLES H. KEATING, JR., dba  
LINCOLN SAVINGS AND LOAN,  
IRVINE, CALIFORNIA;  
CORRUPTION OF STATE AND LOCAL POLITICIANS-  
STATE LEVEL;  
OO: LOS ANGELES  
(194A-LA-108012)

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WASHINGTON, D.C.;  
CHARLES H. KEATING, JR., dba  
LINCOLN SAVINGS AND LOAN,  
IRVINE, CALIFORNIA;  
CORRUPTION OF FEDERAL PUBLIC OFFICIALS-  
REGULATORY;  
OO: LOS ANGELES  
(58A-LA-111204)

Attached is an invoice reflecting cost associated with duplicating evidence.

For information of SAC, Los Angeles, attached receipt reflects cost associated with duplicating possible evidence in captioned matters. The duplication expense was incurred at the "document depository," which is a warehouse of documents associated with the bankruptcy of AMERICAN CONTINENTAL CORPORATION (ACC). The warehouse is under control of US Bankruptcy Judge RICHARD BILBEY, Phoenix, Arizona. The warehouse contains the corporated documents of ACC, LINCOLN SAVINGS AND LOAN ASSOCIATION, and 15 litigants in connection with the bankruptcy. The depository also contains documents belonging to the FEDERAL HOME LOAN BANK BOARD (now known as the OFFICE OF THRIFT SUPERVISION).

Los Angeles agents investigating captioned matters utilized the copying service during May 7-10, 1990, at a total cost of \$215.83. The copying service was used in order to minimize travel time and per diem expense and efficiently use the Bureau's finances.

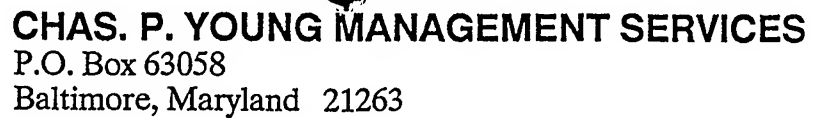
58C-LA-101615

By way of explanation, the entire bill of \$1,949.52 includes cost of \$1,733.69 allocable to copies obtained by Los Angeles agents working on the related DESERT GEM investigation.

For Imprest accounting purposes, the \$215.83 should be charged to captioned matters as follows:

56C-LA-101615	-	5%
58C-PX-41605	-	60%
194A-LA-108012	-	5%
58A-LA-111204	-	30%

# INVOICE



DD-10115

**ATTENTION: ALICE HILL**

**TERMS: PAYMENT DUE UPON RECEIPT  
2% SERVICE CHARGE FOR ALL INVOICES  
DELINQUENT FOR OVER 30 DAYS**

**FOR SERVICES RENDERED AT U.S. DISTRICT COURT (PHOENIX) DOCUMENT DEPOSITORY**

[illegible]

SUBTOTAL	1,827.10
TAXABLE	1,827.10
SALES TAX	122.42
SHIPPING	

<b>Total</b>	\$1,949.52
--------------	------------

**DUE UPON RECEIPT**

Please address any inquiries regarding this invoice to:  
Chas. P. Young Management Services  
505 North 2nd Street, Suite 125  
Phoenix, Arizona 85004 (602) 252-7991

FEDERAL BUREAU OF INVESTIGATION FBI  
1200 U.S. COURT HOUSE  
312 N. SPRING ST.  
LOS ANGELES, CA. 90012

Date	Code	Description	Unit Price	Orig	Copy	Qty	Ext Price
	User: 5555	ASST. U.S. ATTORNEY					
05/07/90	1002	B&W COPIES - SEC	0.14	18	1	18	2.52
	8001	TRANSACTION FEE	5.00	1	1	1	5.00
05/08/90	1002	B&W COPIES - SEC	0.14	56	1	56	7.84
	1002	B&W COPIES - SEC	0.14	76	1	76	10.64
	8001	TRANSACTION FEE	5.00	1	1	1	5.00
05/09/90	1002	B&W COPIES - SEC	0.14	69	1	69	9.66
	1002	B&W COPIES - SEC	0.14	200	1	200	28.00
	1002	B&W COPIES - SEC	0.14	190	1	190	26.60
	1002	B&W COPIES - SEC	0.14	21	1	21	2.94
	1002	B&W COPIES - SEC	0.14	54	1	54	7.56
	1002	B&W COPIES - SEC	0.14	158	1	158	22.12
	8001	TRANSACTION FEE	5.00	1	1	1	5.00
05/10/90	1002	B&W COPIES - SEC	0.14	25	1	25	3.50
	1002	B&W COPIES - SEC	0.14	263	1	263	36.82
	1002	B&W COPIES - SEC	0.14	64	1	64	8.96
	1002	B&W COPIES - SEC	0.14	108	1	108	15.12
	8001	TRANSACTION FEE	5.00	1	1	1	5.00
05/15/90	1002	B&W COPIES - SEC	0.14	285	1	285	39.90
	1002	B&W COPIES - SEC	0.14	472	1	472	66.08
	1002	B&W COPIES - SEC	0.14	1870	1	1870	261.80
	1002	B&W COPIES - SEC	0.14	1609	1	1609	225.26
	8001	TRANSACTION FEE	5.00	1	1	1	5.00
05/16/90	1002	B&W COPIES - SEC	0.14	135	1	135	18.90
	1002	B&W COPIES - SEC	0.14	160	1	160	22.40
	1002	B&W COPIES - SEC	0.14	124	1	124	17.36
	1002	B&W COPIES - SEC	0.14	33	1	33	4.62
	1002	B&W COPIES - SEC	0.14	1355	1	1355	189.70
	1002	B&W COPIES - SEC	0.14	209	1	209	29.26
	1002	B&W COPIES - SEC	0.14	1122	1	1122	157.08
	1002	B&W COPIES - SEC	0.14	79	1	79	11.06
	1002	B&W COPIES - SEC	0.14	51	1	51	7.14
	1002	B&W COPIES - SEC	0.14	616	1	616	86.24
	8001	TRANSACTION FEE	5.00	1	1	1	5.00
05/17/90	1002	B&W COPIES - SEC	0.14	727	1	727	101.78
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	1002	B&W COPIES - SEC	0.14	85	1	85	11.90
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	1002	B&W COPIES - SEC	0.14	426	1	426	59.64
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	1002	B&W COPIES - SEC	0.14	16	1	16	2.24
	1002	B&W COPIES - SEC	0.14	5	1	5	0.70
	1002	B&W COPIES - SEC	0.14	168	1	168	23.52
	1002	B&W COPIES - SEC	0.14	4	1	4	0.56
	1002	B&W COPIES - SEC	0.14	48	1	48	6.72
	1002	B&W COPIES - SEC	0.14	26	1	26	3.64
	1002	B&W COPIES - SEC	0.14	92	1	92	12.88
	1002	B&W COPIES - SEC	0.14	7	1	7	0.98
	1002	B&W COPIES - SEC	0.14	29	1	29	4.06
	1002	B&W COPIES - SEC	0.14	130	1	130	18.20
05/18/90	8001	TRANSACTION FEE	5.00	1	1	1	5.00
	1002	B&W COPIES - SEC	0.14	1382	1	1382	193.48
	8001	TRANSACTION FEE	5.00	1	1	1	5.00

Subtotal for User 5555 ALICE HILL

1,827.10

Total for Invoice # 10115 FEDERAL BUREAU OF INVESTIGATION

1,827.10

1

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/9/90

[redacted] Rockville, Maryland, 20853, telephone [redacted] was interviewed this date in the presence of his attorney [redacted]. The interview took place at the law offices of [redacted] located at [redacted] Washington, D.C., 20036, telephone [redacted]. [redacted] was advised as to the identity of the interviewing agents and the purpose of the interview at which time he advised as follows:

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[redacted] stated his date of birth is [redacted]. His Social Security Account Number is [redacted]. He is currently [redacted].

[redacted]

[redacted] confirmed the fact that [redacted] Senator ALAN CRAWSTON. [redacted] he was [redacted] Senator RIEGLE from Michigan. In addition to [redacted]

[redacted]

[redacted]

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Investigation on 6/20/90 at Washington, D.C. File # 58C-PX-41605 - 108

by SA [redacted] GKM/cpt Date dictated 6/25/90

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58C-PX-41605

Continuation of FD-302 of [REDACTED]

, On 6/20/90, Page 7\*

b6  
b7C

[REDACTED]

[REDACTED]

[REDACTED]

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b7C

[REDACTED] further emphasized that he had very limited contact with CHARLES KEATING, JR., and/or any of his associates. He specifically does not recall KEATING or any of his associates requesting any special favors from [REDACTED] or Senator RIEGLE.

1

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/10/90

[redacted] was interviewed this day [redacted]  
[redacted] in Washington, D.C. [redacted] was  
interviewed pursuant to an agreement [redacted]

[redacted] said agreement is attached to this FD-302. [redacted] was advised  
as to the identity of the interviewing agents and the purpose of  
the interview at which time he advised as follows:

[redacted] advised his current home address is [redacted]  
[redacted] telephone [redacted]  
[redacted] His date of birth is [redacted] and he was born in  
[redacted] His Social Security Account Number is  
[redacted]

[redacted] advised his current position is the  
[redacted]  
[redacted]  
[redacted]  
[redacted]  
[redacted]  
[redacted]

Investigation on 6/22/90 at Washington, D.C. File # 58C-PX-41605-109

by SA [redacted]  
SA [redacted] GKM/cpt Date dictated 6/25/90

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58C PX-44605-110

APR 07 1990

Jay

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/6/90

[redacted]  
[redacted] was interviewed [redacted]  
[redacted] Washington, D.C.,  
[redacted] The interview was conducted according to an  
agreement [redacted] the  
original of which is attached hereto. Present during the entire  
interview were [redacted]  
[redacted] provided the following information:  
[redacted] was born on [redacted] at [redacted]  
[redacted] His Social Security Account Number is  
[redacted]

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b7D

Investigation on 6/22/90 at Washington, D.C. File # 58C-PX-41605 ✓  
by SA [redacted] JAJ/cpt Date dictated 6/29/90  
SA [redacted]

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/1/90

[redacted] date of birth [redacted]  
[redacted] Alexandria, Virginia,  
telephone [redacted] was interviewed at her place of  
employment, OFFICE OF THRIFT SUPERVISION (OTS), 1700 G Street,  
Northwest, Washington, D.C. After having been advised of the  
interviewing agents' identities and the nature of the interview,  
[redacted] provided the following information:

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[redacted] advised she was graduated [redacted]  
[redacted]  
[redacted] for the OTS predecessor, the FEDERAL HOME LOAN BANK BOARD  
(FHLBB) [redacted] the  
FHLBB. [redacted]

[redacted] advised that she has had no contact whatsoever  
with United States Senators or Congressmen or their staff members  
regarding LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) or AMERICAN  
CONTINENTAL CORPORATION (ACC), with one exception. [redacted] said  
that approximately [redacted]

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Investigation on 7/18/90 at Washington, D.C. File # 58C-PX-41605 - 111  
by SA [redacted] and  
SA [redacted] JAJ/lkh Date dictated 7/24/90

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Continuation of FD-302 of \_\_\_\_\_, On 7/18/90, Page 2b6  
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\_\_\_\_\_ stated that her first involvement with LSL was in the summer of 1986, when LSL refused to provide information in connection with an examination. \_\_\_\_\_

\_\_\_\_\_ this investigation of LSL and focused on allegations of backdating documents and stuffing underwriting files. \_\_\_\_\_

\_\_\_\_\_ The investigation resulted in criminal referrals to the JUSTICE DEPARTMENT. With respect to the file stuffing charges, an early prosecutive declination was made. \_\_\_\_\_ said she thought the backdating and file stuffing charges were "somewhat insignificant," because there was no conclusive evidence of backdating, and because LSL immediately admitted that the underwriting documents were created after the investments were made, but that they were created to reflect what had actually occurred.

\_\_\_\_\_ said that \_\_\_\_\_

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\_\_\_\_\_ said she attended a meeting in Washington, D.C., in approximately May, 1987, of approximately 15 individuals to discuss what should be done with LSL. This meeting occurred immediately after the FHLB-SF circulated its draft report of the LSL examination. In attendance were FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION (FSLIC) lawyers, attorneys from FHLBB's litigation group and enforcement group, and three individuals from FHLB-SF. \_\_\_\_\_

\_\_\_\_\_ mentioned that at the time, the FHLBB had lost its ability to close state-chartered associations such as LSL. \_\_\_\_\_ said that it was the consensus of those at this meeting, with no

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Continuation of FD-302 of \_\_\_\_\_, On 7/18/90, Page 3b6  
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objection from those representing the FHLB-SF, that there were no grounds for a conservatorship of LSL. It was agreed that FHLB-SF would finish the LSL examination process, that is, obtain comments from LSL and resolve any factual disagreements.

\_\_\_\_\_ office would prepare the paperwork for a Notice of Charges for a cease and desist order. After this meeting,

\_\_\_\_\_ the LSL examination was completed.

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\_\_\_\_\_ said she was unaware of the April, 1987, meetings of the United States Senators and \_\_\_\_\_ and the FHLB-SF regulators until June of 1987, when FHLBB \_\_\_\_\_ showed \_\_\_\_\_ a "transcript" prepared by \_\_\_\_\_ of the meeting of the FHLB-SF regulators and the Senators. \_\_\_\_\_ said she read the "transcript" and then destroyed the copy, at \_\_\_\_\_ instruction. \_\_\_\_\_ said she concluded that this meeting was insignificant, and she was surprised that anyone found the content of the meeting to be sensitive. \_\_\_\_\_ stated that knowledge of these meetings did not affect her in any way. Her impression at the time was that the inquiries of the Senators at the \_\_\_\_\_ meeting were ordinary. \_\_\_\_\_ said she never

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Continuation of FD-302 of

, On 7/18/90, Page 4

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discussed the April, 1987 meetings with anyone until the "transcript" was leaked to the press.

[redacted] advised that over the summer of 1987, [redacted] new administration arrived at the FHLBB one by one. [redacted]

[redacted] LSL had been complaining to [redacted] that LSL was not being treated fairly by the FHLBB. [redacted] said the LSL examination process still had not been completed. [redacted]

[redacted] representatives from LSL had complained [redacted] about news leaks and unfair treatment from the FHLB-SF. [redacted] then met with the LSL representatives, and a law suit LSL had filed against the FHLBB regarding the news leaks was withdrawn.

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[redacted] everyone else working on the LSL matter agreed to attempt to reach a consent cease and desist order with LSL.

[redacted] the FHLBB personnel had assumed that LSL would not consent to any enforcement action. [redacted] said that it was the consensus, including of those from FHLB-SF, that if LSL would agree to the enforcement controls, then the FHLBB would use the form of a supervisory agreement instead of a cease and desist order. [redacted] explained that a cease and desist order was an administrative injunction and could be enforced in court if the thrift violated the terms. A supervisory agreement could be enforced only by obtaining a cease and desist order, which involves certain time delays.

[redacted] then approached LSL, probably through its attorney [redacted] with a proposed consent cease and



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Continuation of FD-302 of \_\_\_\_\_

, On 7/18/90, Page 5b6  
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desist order, and LSL rejected the proposal. \_\_\_\_\_ said LSL countered with a proposal that \_\_\_\_\_ run LSL, and to return LSL to a traditional thrift so that a cease and desist order would not be needed.

\_\_\_\_\_ advised that in January, 1988, \_\_\_\_\_ FHLBB's Enforcement Review Committee (ERC) should consider the LSL situation, and the ERC did so from February through April, 1988. \_\_\_\_\_

\_\_\_\_\_ advised that during this time period (February through April, 1988), the FHLB-SF became adamant for the first time that a conservatorship be established for LSL, and the FHLB-SF advocated the conservatorship before the ERC. \_\_\_\_\_

\_\_\_\_\_ LSL had proposed a Memorandum of Understanding (MOU). \_\_\_\_\_ explained that a MOU was not a legally enforceable document, and that it merely stated the respective understandings of the parties.

\_\_\_\_\_ said that in January, 1988, \_\_\_\_\_ asked LSL to present its best offer for a resolution of the 1986 examination. In late January or early February, 1988, LSL proposed an agreement that was presented to the ERC. LSL's proposal was not a negotiated agreement with the FHLBB. \_\_\_\_\_

\_\_\_\_\_ said the FHLBB staff did not recommend to the ERC that LSL's proposal be accepted. Towards the end of April, 1988, the ERC concluded that the information on LSL was stale, that a new examination was needed, and based on the deteriorated relationship between FHLB-SF and LSL, that a new examination team was needed. \_\_\_\_\_

\_\_\_\_\_ did not want to get involved in the LSL matter until ERC made its recommendations.

\_\_\_\_\_ advised that on April 30, 1988, the ERC unanimously decided that a new examination of LSL was needed, and that the examination should be done by someone other than the FHLB-SF. \_\_\_\_\_ said it was unprecedented to exclude a district

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Continuation of FD-302 of \_\_\_\_\_

, On 7/18/90, Page 6

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bank completely from an examination, although it had been common to bring examiners from other districts to help work on a particular examination. \_\_\_\_\_ said the ERC also decided that an interim supervisory agreement should be reached with LSL, although this decision was not made unanimously, because \_\_\_\_\_ wanted a cease and desist order. \_\_\_\_\_ said the contents of the supervisory agreement was left to be negotiated by the staff, although the terms were set out generally by the ERC.

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\_\_\_\_\_ stated that the negotiations with LSL began with LSL's "best offer" that was previously submitted by LSL. \_\_\_\_\_ added other operating restrictions to the LSL "best offer." \_\_\_\_\_ said that all decisions of substance in the negotiating process were made by \_\_\_\_\_

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Continuation of FD-302 of \_\_\_\_\_, On 7/18/90, Page 7

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[REDACTED]

[REDACTED] said she was not involved in the 1988 examination of LSL. [REDACTED]

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[REDACTED] said it was decided in early 1989 to proceed with a conservatorship of LSL. [REDACTED]

[REDACTED] added that she was aware that ACC wanted to sell LSL since December, 1988.

[REDACTED]

[REDACTED] stated that in retrospect, the process resulting in the LSL conservatorship took too long, but there was a legitimate bureaucratic reason for all the delays. [REDACTED] said she was convinced that no outside influence affected the process with LSL, and she said she was not aware of any attempts to influence the process.

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[REDACTED] stated that the "most hotly contested paragraph" of the agreement reached with LSL was the paragraph relating to a monitor to be placed on the premises of LSL.

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Continuation of FD-302 of

[Redacted]

, On 7/18/90, Page 8

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[Redacted] said the FHLBB wanted LSL to submit all proposals for prior approval from the monitor, but that LSL was agreeable only to informing the monitor after the transaction had occurred.

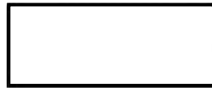
[Redacted] said that LSL representatives met with them and explained that some deals were made in 24 hours, and that the prior approval requirement would seriously hamper LSL. [Redacted] said [Redacted] conceded on this issue, and she does not know why he did, but she added that LSL had conceded on other issues.

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Home Address :



## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/14/90

[redacted] Federal Deposit Insurance Corporation, San Francisco, California, voluntarily appeared at the offices of the Federal Bureau of Investigation (FBI), 450 Golden Gate Avenue, San Francisco, California. He was aware as to the identity of the interviewing agent and the purpose of the inquiry. [redacted] provided the following information:

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[redacted]  
California Department of Savings and Loans (CDSL). The CDSL would periodically examine institutions. Depending on the condition of the institution, these exams would take place at 6-month to 18-month intervals. Most exams conducted by the CDSL are done concurrently with federal examiners. The objective between the state level and federal examinations are guided by different regulations, but have similar objectives, i.e., the safety and soundness of the financial institution. [redacted] stated a large portion of the exam is asset evaluation which would consist of investments in real estate, junk bonds, and the institution's loans. [redacted] considered junk bonds to be those bonds with below investment-grade ratings. While evaluating these items, the examiners are looking for losses and high-risk assets. This would also include the over valuation of various assets and the collectability on their loans. The output from an examination is a report which addresses the institution's capital, assets, management, earnings, and liquidity or risk management. This report would also address violations of law, overall condition, and report and findings which may result in some type of enforcement action. The examiner in charge would have primary responsibility for the preparation of this report.

(X)  
Jury

In May, 1988, [redacted]

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[redacted]  
[redacted] was knowledgeable about Lincoln and had experience from a previous examination with them. The examination of Lincoln was to be an asset quality intensive exam which would address the collectability of loans and the realizable value of many of their (Lincoln) investments. [redacted]

Investigation on 6/10/90 at San Francisco, California File # 58C-PX-41605 - 112by SA [redacted] SBF/ml1 Date dictated 6/12/90b6  
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SBF/ml1

Continuation of FD-302 of [REDACTED], On 6/10/90, Page 2

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[REDACTED]

Lincoln examination. The Federal Home Loan Bank Board (FHLBB) was also conducting an examination of Lincoln and ACC during the approximate time period of the CDSL exam. [REDACTED]

[REDACTED]

[REDACTED] believed the federal examination of Lincoln was "programmed to fail." This was primarily due to a Memorandum Of Understanding (MOU) executed by the FHLBB and Lincoln concerning the examination. [REDACTED] said the MOU was a "unbelievable concession" to Lincoln. [REDACTED] recalled several items which were either a part of the MOU, or a by-product of it. These items were as follows.

The federal examiners were prohibited from utilizing previous examination findings and/or work papers of the examiners from the 11th District, FHLBB (San Francisco). This previous exam was completed during late 1986 or early 1987 and was critical of the Lincoln institution. The MOU required a short period of time for the exam to be conducted, and for reporting the results. However, ACC was not mentioned. The MOU prevented the federal examiners from contacting other federal examiners in the 11th District which had done the previous exam. [REDACTED] recalled being told by [REDACTED]

[REDACTED]

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As part of the MOU, or a by-product, the federal examiners were not allowed to utilize appraisers. [REDACTED] considered this to be very unusual and unprecedented. [REDACTED] advised that the federal examiners typically had the ability to hire appraisers to evaluate properties but not on this occasion. When the CDSL was performing their examination of Lincoln and ACC, appraisals were being forwarded to [REDACTED] with no apparent concern or appropriate reaction on his [REDACTED] part. [REDACTED] recalled that [REDACTED]

[REDACTED]

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Continuation of FD-302 of [REDACTED], On 6/10/90, Page 3

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The last area related to the MOU was known as [REDACTED]. This pertained to [REDACTED] FHLBB Office of Regional Affairs, Washington, D.C. [REDACTED] said [REDACTED] was an agreement [REDACTED].

[REDACTED] In summary, [REDACTED] believed the MOU was a deliberate attempt to create an obstacle in preventing effective examination of the institution (Lincoln), and to ensure bias in favor of the institution (Lincoln).

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Concerning the Hotel Pontchartrain, [REDACTED] provided [REDACTED]

[REDACTED] This individual was also a [REDACTED]

[REDACTED] said this partnership was sustaining losses between \$700K and \$1 million per month in negative cash flow. The \$20 million loan was an unsecured debt as opposed to a subordinated debt. A first lien on the hotel property for \$35 million was held by San Jacinto Savings, a subsidiary of Southmark Corporation. Southmark Corporation was believed by [REDACTED] and other regulatory officials, to have links to organized crime. The hotel was eventually foreclosed upon and sold for substantially less than \$35 million. [REDACTED] believes the final sales price was less than \$30 million. At the time of [REDACTED] review, he believed 30 percent of the Pontchartrain Limited Partnership were either members of ACC and/or Lincoln. [REDACTED] later learned from [REDACTED]



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Continuation of FD-302 of [REDACTED], On 6/10/90, Page 4

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[REDACTED] that approximately two-thirds of the partnership were either family members of KEATING'S or insiders at ACC and Lincoln. [REDACTED] believed the Pontchartrain transaction had numerous violations concerning conflict of interest. A letter from Lincoln's counsel, Kaye, Scholer, Et Al, to Lincoln described the terms of the loan as being so liberal it might be considered a "gift of assets." [REDACTED] provided this letter to the state senate as part of his testimony.

A second area with major loan losses was to R. A. HOMES, a land developer in Phoenix, Tucson, and Las Vegas, Nevada. This operation had approximately \$100 million in loans, \$30 million was in unsecured and subordinated debt. [REDACTED] recalled that R. A. HOMES had a \$1.5 million net worth, with \$200 million in liabilities. He considered the operation to be involved in highly leveraged properties. [REDACTED] provided that as of October 31, 1989, the OTS had already considered at least \$40 million dollars to be losses.

A third area with major losses were those loans to Southmark Corporation, the parent of San Jacinto Savings. [REDACTED] recalled approximately \$130 million being extended to this other institution. Approximately \$20 million of this figure was in bonds from ACC. [REDACTED] considered all loans to Southmark Corporation to be uncollectable. Fifty million dollars (\$50 million dollars) of the losses involved Pacific Standard Life Insurance Company, a Davis, California, insolvent insurance company. [REDACTED] understands that Pacific Standard Life Insurance Company may have been considered for investigation by the State of California Attorney General's Office, Major Fraud Unit. [REDACTED] advised the Southmark Corporation loans were not critized in the final report in spite of written urging by [REDACTED] and Southmark's obvious financial weakness and widely publicized links to organized crime figures. Southmark Corporation went bankrupt three months after the examination of Lincoln.

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On November 7, 1988, [REDACTED] conducted the exit meeting for the federal side of the Lincoln examination. There were several examiners from both federal and state agencies, and was also attended by KEATING, JR., [REDACTED]

[REDACTED] During this meeting, [REDACTED] detailed the total loss identified by the federal examiners as being approximately \$30 million. This figure was comprised of the \$10 million figure previously mentioned by [REDACTED] to [REDACTED] as well as \$20 million related to the Pontchartrain Hotel. [REDACTED] believes [REDACTED] was embarrassed into classifying the Pontchartrain loan after his discussions with [REDACTED] During

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Continuation of FD-302 of [REDACTED], On 6/10/90, Page 5

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this meeting, CHARLES KEATING, JR., complained about the examination of the parent holding company, ACC. KEATING said that [REDACTED] and his assistants were being antagonistic and over aggressive, as opposed to [REDACTED] who were professional. KEATING added that he would prefer for [REDACTED] to report to [REDACTED] in the future. KEATING was being belligerent to the examiners and said if they (the examiners) wanted it (Lincoln Savings) he would give them the keys, but it would be a \$2 billion loss to the Federal Savings and Loan Insurance Corporation (FSLIC). After this remark, no one said anything and several individuals looked around the room at each other. No one expected KEATING to make a remark like this in front of the regulators. [REDACTED] provided that KEATING had made a similar comment to [REDACTED] FHLBB, Chicago, on a previous occasion, but he did not believe KEATING would make the remark again in front of other people.

Within the next six weeks, the final examination report from the FHLBB was prepared. This report had losses for Lincoln Savings totaling approximately \$120 million, which was substantially more than mentioned during the exit meeting. [REDACTED] also provided that during the next examination of Lincoln, in January, 1990, [REDACTED] may have reported to [REDACTED]

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In late 1989, to early 1990, there were allegedly two groups who potentially were interested in purchasing Lincoln. One of these entities was [REDACTED] group. [REDACTED] believed [REDACTED] On one occasion, [REDACTED] CDSL, Los Angeles, was telephonically contacted by [REDACTED] Attorney, Los Angeles, regarding this particular group. [REDACTED] allegedly told [REDACTED] there were, or were going to be property management agreements with CHARLES KEATING, JR., on the major Lincoln assets. KEATING would continue to get money in the form of fees, and would be allowed to exert control over these properties. [REDACTED] was interested to see if this was disclosed on any application for sale which was presented to federal and state regulators.

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Continuation of FD-302 of [REDACTED], On 6/10/90, Page 6 b6  
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[REDACTED] said he did not believe these purchase groups to be genuine in nature. However, these potential sales allowed Lincoln to operate for an additional length of time. During that time they continued to sell subordinated debt (Junk Bonds) of ACC to the public.

FBI

## TRANSMIT VIA:

☐ Teletype  
☐ Facsimile  
☒ AIRTEL

## PRECEDENCE:

☐ Immediate  
☐ Priority  
☐ Routine

## CLASSIFICATION:

☐ TOP SECRET  
☐ SECRET  
☐ CONFIDENTIAL  
☐ UNCLAS E F T O  
☐ UNCLAS

Date 7-16-90

TO : SAC, PHOENIX (58C-PX-41605)  
 FROM : SAC, SAN FRANCISCO (58C-PX-41605) (RUC) (CRA)  
 SUBJECT: ALLEGATIONS CONCERNING U. S. SENATORS  
 ALLAN CRANSTON, DENNIS DE CONCINI,  
 JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE;  
 CHARLES H. KEATING, JR.,  
 DBA LINCOLN SAVINGS AND LOAN OF  
 CALIFORNIA (LSL),  
 AMERICAN CONTINENTAL CORPORATION (ACC);  
 CPO - LEGISLATIVE BRANCH  
 OO: PHOENIX/LOS ANGELES

Re Phoenix routine teletype to Atlanta, dated 5-10-90,  
 numerous telcalls between SA [redacted] and SA [redacted]  
 Phoenix Division, and telcall between SA [redacted] and SA [redacted]  
 Los Angeles Division, dated 7-20-90.

Enclosed for Phoenix Division is an original FD-302  
 with copy, concerning the interview of [redacted] a 1A  
 envelope containing the notes from that interview, and one box of  
 xeroxed documentation provided by [redacted]

Enclosed for Los Angeles Division are two photocopied  
 FD-302s concerning the interview of [redacted] and one box of  
 photocopied documentation provided by [redacted]

The documentation provided by [redacted] in part, contains  
 the following types of material:

1. Documents previously afforded to the Federal  
 Bureau of Investigation, Santa Ana Resident Agency.

2. Records concerning a cease and desist order to LSL  
 and ACC, from the California Department of Savings and Loan.

2 - Phoenix (Encs. 4)  
 ② - Los Angeles (Encs. 3)  
 1 - San Francisco  
 SBF/bfo  
 (5)

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Approved: RED/BA

Transmitted

(Number) (Time)

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3. Documentation pertaining to the Hotel Pontchartrain and [ ] both of which were loans at LSL.

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4. Various newspaper articles regarding LSL, ACC, and subject KEATING, JR.

5. Correspondence from [ ] to ACC and LSL officials regarding the examination of LSL, and responses from the law firm of KAYE, SCHOLER, ET AL, who were representing ACC and LSL.

6. Portions of testimony afforded by [ ] to the California Assembly Committee on Finance and Insurance matters.

This matter is considered RUC by the San Francisco Division.

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/1/90

[redacted] was interviewed [redacted]  
[redacted]  
[redacted] Washington, D.C.,  
[redacted] By agreement between [redacted]  
[redacted] the interview was conducted under the same terms as an  
agreement [redacted]  
[redacted] the original of  
which is attached to the FD-302 reflecting interview of [redacted]  
[redacted]  
[redacted]  
[redacted]

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Investigation on 7/18/90 at Washington, D.C. File # 58C-PX-41605 - 114  
by SA [redacted] and  
SA [redacted] JAJ/lkh Date dictated 7/25/90

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FBI — LOS ANGELES

*[Signature]*

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/15/90

[redacted]  
 Office of Thrift Supervision (OTS), 1700 G Street N.W.,  
 Washington, D.C. 20552, telephone number [redacted]  
 residence [redacted] Reston, Virginia 22091,  
 telephone number [redacted] provided the following  
 information:

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[redacted] said he has been employed by the OTS and  
 the Federal Home Loan Bank Board [redacted] Prior to  
 that [redacted]

[redacted] said that LINCOLN SAVINGS AND LOAN  
 ASSOCIATION (LSL) came to his attention July or August of 1986,  
 when he was informed by [redacted] that San Francisco Bank  
 District was examining LSL. [redacted] said at the time [redacted]

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[redacted] said that  
 in July or August of 1986, during general discussions concerning  
 LSL, the findings of the exam team were discussed. The findings  
 revealed that a high concentration of land and land loans were  
 being invested in by LSL. [redacted] said he recalled that  
 there were also high-risk transactions and some transactions had  
 no documentation or proper underwriting. [redacted] also said  
 that he recalls that accounting procedures were an issue, as well  
 as concerns that the land appraisals were too high. [redacted]  
 said as a result, new appraisals had to be obtained, and  
 additionally, San Francisco Bank District retained junk bond  
 experts to assist in the examination. [redacted] also stated  
 that a market value study of the Phoenix real estate market was  
 also obtained.

[redacted] said that between July and August of 1986,  
 the San Francisco Bank District circulated a draft copy of a  
 Recommendation for Receivership or a Cease and Desist Order.  
 [redacted] said in his mind he just assumed that LSL would be  
 shown to be insolvent, and as a result a Receivership would be  
 the appropriate enforcement tool. [redacted] said he also  
 remembered that the examiners were complaining because they could  
 not get documents from LSL management. [redacted] said this is  
 abnormal because usually the thrifts under examination were

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Investigation on 7/18/90 at Washington, D.C. File # 58C-PX-41605

by SAS [redacted] REB:cat Date dictated 7/18/90

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned  
 to your agency; it and its contents are not to be distributed outside your agency.

in 58-PX-41605



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Continuation of FD-302 of [REDACTED]

On 7/18/90

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cooperative in the provision of documents for examination.

[REDACTED] said that [REDACTED] for the San Francisco Bank District, had sent a letter to LSL regarding the lack of cooperation. [REDACTED] said that by this time he was in the "loop" because of the fact he was an enforcement attorney and as a result was receiving information relative to LSL. [REDACTED] said, in fact, San Francisco Bank District and the Washington supervision were frustrated that everything regarding the examination was taking so long because of LSL's lack of cooperation.

[REDACTED] said that it was during this time that [REDACTED] an attorney with KAYE SHOLER, a New York law firm, started complaining about leaks from the agency regarding LSL.

[REDACTED] said he was not present in the September 1986 meeting between [REDACTED] and attorneys for LSL [REDACTED] when the discussion occurred concerning the availability of documents for the examination. [REDACTED] said that he believes that the meeting was in Washington, D.C. [REDACTED] said that he knew of [REDACTED] because he had met him while he [REDACTED] was employed at the SEC. [REDACTED] said [REDACTED] during this time, represented [REDACTED]

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In November 1986, [REDACTED] told [REDACTED] that the San Francisco regulators would not meet with CHARLES KEATING.

[REDACTED]

[REDACTED] said that on November 5, 1986, there was a meeting in San Francisco attended by KEATING, [REDACTED] and one other individual from LSL. [REDACTED] and another member of [REDACTED] staff also attended. During this meeting, KEATING stated that he had taken a failed thrift and made it profitable, and during this time the Government had changed the rules on him. KEATING said he could not make money by making single-family home loans. KEATING said they could not make money doing this because it was due to the overhead and borrowing costs for short-term loans. KEATING said that he had purchased LSL to take advantage of the real estate development earnings potential. KEATING said everybody agreed that he could borrow money to develop land. [REDACTED] said

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Continuation of FD-302 of [REDACTED]

, On 7/18/90

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there was a general agreement at this meeting that LSL was, in fact; not a traditional thrift, and that LSL would be required to provide more capital reserve. The only issue was how much capital, and the concept was offered by KEATING that LSL had "unrecognized value," and this value had not been established or recognized by the Federal Home Loan Bank Agency. There was agreement that at some future date there would be a system set up by LSL and San Francisco regulators where, together, they could determine the real value of LSL. After this reevaluation was established, [REDACTED] could then recommend the capital requirement for LSL.

[REDACTED]

[REDACTED] said there had been an agreement in the September meeting between [REDACTED] that an attorney on site would review documents requested by the exam team prior to examiner review. [REDACTED] said that during this time, [REDACTED] also continued to complain about leaks from the agency. [REDACTED] said the Office of Enforcement was also told by [REDACTED] to initiate a "407" investigation of the back-dating and file-stuffing that occurred at LSL. [REDACTED] said San Francisco had also submitted rough drafts of a supervisory concern to Washington supervision. [REDACTED] said that Washington supervision, in particular [REDACTED] kept asking San Francisco what was the delay with receipt of the reappraisals. [REDACTED] said there appeared to be a disagreement how to proceed, in that [REDACTED] wanted to spend more time on the file-stuffing and back-dating, and [REDACTED] wanted to spend more time on the exam to prove LSL was insolvent. [REDACTED] resolved this issue by directing both areas to be reviewed. [REDACTED] said that [REDACTED] did the file-stuffing investigation and [REDACTED] continued in the "407" investigation.

[REDACTED] said when the appraisals had been completed and were being forwarded to Washington, D.C., some of the properties were big losers and some of the appraisals came in higher than those that had been submitted by LSL.

[REDACTED]

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Continuation of FD-302 of [REDACTED]

, On 7/18/90

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[REDACTED]

[REDACTED] said after it became known that the examination was almost completed, there was a series of discussions between [REDACTED] and [REDACTED] where they discussed the recommendation that would be made to the ISL Board. [REDACTED] said they allowed one week for the ISL Board to review the examination, and they anticipated that the ISL Board would refuse to sign a Cease and Desist Order. [REDACTED] and [REDACTED] then agreed that a Notice of Charges would then be sent to ISL. [REDACTED] said he still believed that ISL was "creating a record of agency abuse" for any court hearing that would follow enforcement action taken by the agency. [REDACTED] in fact, had instructed the law firm of [REDACTED] to prepare a Notice of Charges and to anticipate litigation in May or June of 1986. [REDACTED] said they left one issue open to the discretion of [REDACTED] and that was whether to delay the Notice of Charges one week to allow the taking of depositions of KEATING and high management. [REDACTED] said the schedule was "thrown out of the window" when ISL asked for time to respond to the examination. The extension allowing ISL to rebut the examination was granted by San Francisco.

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[REDACTED] said by this time the exam had been reviewed by Washington supervision, specifically by [REDACTED] and [REDACTED] and they both agreed that ISL was "a disaster waiting to happen."

[REDACTED]

[REDACTED] said that he could only fix the date as the middle of 1987, as to his involvement in the MOU negotiations. [REDACTED] said that he was aware that KEATING and [REDACTED] met as a result of the MOU, and shortly thereafter, an MOU was sent to Washington Supervision by [REDACTED]. The letter that conveyed the MOU said that it "memorialized" what [REDACTED] and KEATING had agreed upon. [REDACTED] said that [REDACTED] then came to Washington for a meeting to discuss the MOU with [REDACTED] and [REDACTED]. [REDACTED] said that the meeting with [REDACTED]

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Continuation of FD-302 of \_\_\_\_\_, On 7/18/90, Page 5

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\_\_\_\_\_ and \_\_\_\_\_ basically was to determine what ISL wanted, and what it wanted was to "basically be left alone." The MOU which was forwarded to \_\_\_\_\_ and \_\_\_\_\_ by \_\_\_\_\_ was "never considered as accepted at the Federal Home Loan Bank Board." The ISL draft MOU was, in fact, the opening position for ISL. The document provided by \_\_\_\_\_ was the "first utterance of MOU language," and the MOU signed between the Bank Board and ISL had evolved from this initial document. \_\_\_\_\_ said, in fact, that the initial MOU, as supplied by \_\_\_\_\_ was never used by the Federal Home Loan Bank Board.

\_\_\_\_\_ said that prior to the submission of the ISL draft memorandum, there was a review by \_\_\_\_\_ of the San Francisco findings. After this review, there was a meeting with \_\_\_\_\_ an attorney for ISL. \_\_\_\_\_ told \_\_\_\_\_ that ISL would have to establish loan loss reserves, and during this discussion \_\_\_\_\_ told \_\_\_\_\_ that ISL would not accept or sign a Cease and Desist Order.

\_\_\_\_\_ said that \_\_\_\_\_ recommended the Enforcement Review Committee (ERC) to review the ISL problem and advise the Bank Board. \_\_\_\_\_ recalls that it was during this time that \_\_\_\_\_ and \_\_\_\_\_ then started having meetings with KEATING regarding the MOU.

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\_\_\_\_\_ said that prior to this, in the fall of 1987, prior to the MOU negotiations and the ERC review of ISL, he traveled to San Francisco to work on the Cease and Desist Order with the San Francisco Regulators.

\_\_\_\_\_ said that he attended the majority of the ERC meetings. \_\_\_\_\_

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\_\_\_\_\_ KEATING refused to attend an ERC meeting if representatives from the San Francisco Bank District would be present. As a result, the meeting was rescheduled for March 25, 1988, for KEATING to present his case to the ERC. \_\_\_\_\_ said that KEATING was present, as was \_\_\_\_\_

\_\_\_\_\_ said they recalled KEATING responding to a question concerning political influence; however, the question was directed toward influence on the local level to obtain zoning and water rights, etc., which would ensure his land development being successful. \_\_\_\_\_ said that he was talking on behalf of ARTHUR YOUNG ACCOUNTING FIRM and not just his personal review of ISL. \_\_\_\_\_

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Continuation of FD-302 of [REDACTED]

, On 7/18/90

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[REDACTED] said that the ERC meetings were tumultuous and ill will was created between San Francisco and the Committee. San Francisco felt they were excluded, and did not believe that the ERC should be considering the transfer of supervision from San Francisco. [REDACTED] said that ISL had imposed the transfer as a condition to the settlement.

[REDACTED] said that on May 5, 1988, the ERC made its recommendation to the Bank Board. The ERC recommended three options and the Bank Board accepted option number one, which included a supervisory agreement which set operating limitations and conditions on ISL. The MOU was also used as the enforcement tool. [REDACTED] said that in relation to the MOU, he recalled that there was an issue over the "monitor," which was to be on site at ISL. KEATING objected to this monitor because KEATING said he could not negotiate deals if he could not conclude the deal until review by the Federal Home Loan Bank Board.

[REDACTED] said there was a negotiated settlement, and ultimately the monitor [REDACTED]

[REDACTED] said the Bank Board got what it wanted because ISL had to disclose significant transactions to the Bank Board within a three- to five-day period of time.

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[REDACTED] said that after the May 5, 1988 recommendation made to the Board by the ERC, [REDACTED] took over the negotiations and worked with [REDACTED] said that he came back into the "loop" with the commencement of the July 1988 examination, as an enforcement attorney.

[REDACTED] said he had no input into the selection of examiners for the July 1988 exam; however, he understood that the Bank Board wanted a "blue ribbon" examination team. [REDACTED] said he saw no evidence of any attempt to control the direction of the July 1988 examination or any evidence that [REDACTED] was not given full latitude by [REDACTED] said that the July 1988 examination was conducted without any control emanating from Washington.

[REDACTED] said that he was not aware of the April 2 or April 9, 1987 meetings between [REDACTED] and the U.S. Senators with the San Francisco regulators. [REDACTED] said when he found out, he was, in fact, upset [REDACTED] and was not informed as to the meetings. [REDACTED] said that in his opinion, [REDACTED] was more available to politicians than was [REDACTED] cited the [REDACTED] matter, which involved the AMERICAN SAVINGS in California, as an example of [REDACTED] accessibility by politicians.

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Continuation of FD-302 of [REDACTED]

, On 7/18/90

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[REDACTED] said the only political contacts he personally had were from [REDACTED] who was an employee of the House Banking Committee staff. [REDACTED] underlined the fact the fact that [REDACTED] was not an employee of a Congressional member, but only a member of the House Banking Committee staff.

[REDACTED] said that a House Banking Committee staff member had received a report that the examination of ISL was taking too long. [REDACTED] also alluded to the fact that ISL was not producing documents. [REDACTED] said that he recalled that [REDACTED] also attended this meeting, as well a member from the Federal Home Loan Bank Board Office of Congressional Relations. [REDACTED] said that he and [REDACTED] only told [REDACTED] that the examination was ongoing.

[REDACTED] said he does not know who arranged for this meeting, only that the Federal Home Loan Bank Board's Office of Congressional Relations received the telephone call. [REDACTED] could not identify the names of the individuals who told him to attend this meeting. [REDACTED] said he believes [REDACTED] got the call from the Office of Congressional Relations and then she invited [REDACTED] to attend because he was the most knowledgeable enforcement attorney regarding ISL. [REDACTED] said he kept no records concerning this meeting, primarily because no individual Congressman had requested this information only a staffer. [REDACTED] did not characterize this meeting with [REDACTED] as unusual, because banking committee staff members often request status checks on various thrifts from the Federal Home Loan Bank Board.

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[REDACTED] said that he received no telephone calls from Senators CRANSTON, DE CONCINI, GLENN, MC CAIN, or RIEGLE, or their staffs concerning ISL. [REDACTED] said he did not detect any pressure coming from Capitol Hill regarding ISL. [REDACTED] said the only pressure he detected was the pressure to get the job done. [REDACTED] said the only outside pressure was from ISL, and he specifically alluded to the recusal motion filed by ISL, attempting to remove [REDACTED] and to get the direct investment regulation changed. [REDACTED] said he was not aware of any Congressional pressure on anyone regarding ISL.

[REDACTED] reiterated the fact that he was not aware of the April 2 and April 9, 1987 meetings between the U.S. Senators, [REDACTED] and the San Francisco regulators until after the meetings occurred. [REDACTED] believes that as much as a month had passed prior to his knowing these meetings occurred. [REDACTED] recalls that [REDACTED] mentioned these

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Continuation of FD-302 of [REDACTED]

, On 7/18/90

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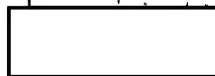
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meetings had occurred. [REDACTED] said he was upset because there appeared to be an effort on the part of the individuals attending the meetings to purposely not inform him. [REDACTED] said generally, [REDACTED]

[REDACTED] said he does not believe there was any political influence because there were only two periods of inactivity regarding ISL. [REDACTED] said that the first period of inactivity was on April 20, 1986, after the report had been issued. At this time everyone, including San Francisco, agreed and they were gearing up to litigate. The delay was approved by San Francisco to allow ISL time to rebut. [REDACTED] said he believed that ISL was a "rogue shop," and no examination or enforcement was going on after April 20, 1986. [REDACTED] said the second period of inactivity was in August 1987. The analysis of ISL rebuttal had been made and there was a need for fresh information. When San Francisco attempted to go back in for limited examination, ISL refused to allow examiners on the property without a court order.

58C-DX-41604-115

SEARCHED	INDEXED
SERIALIZED	FILED
AUG 03 1990	
FBI - PHOENIX	



SEARCHED	INDEXED
SERIALIZED	FILED
AUG 2 1990	
FBI - PHOENIX	

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/25/90

[redacted] Office of Thrift Supervision (OTS), Department of the Treasury, 1700 G Street, N.W., Washington, D.C. 20006, telephone [redacted] was contacted at his place of employment and advised of the interviewing Special Agent's official identity. After being advised that the interview related to activities involving Lincoln Savings and Loan Association, [redacted] furnished the following information:

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[redacted] was shown an undated Office of Regulatory Activities (ORA) memorandum from [redacted], with the subject "Information on Lincoln" and a memorandum headed "INTEROFFICE MEMORANDUM," from [redacted] with the subject "Lincoln deposit flows." (copies attached) [redacted] stated that he heard about this matter during Congressional hearings, after which, "We all scratched our heads." [redacted] said in testimony to the House Banking Committee that, with the misspellings in the undated memo, he would have noticed it.

[redacted] stated that his recollection of this request for information was "fuzzy," and he believed he got the request for this kind of information by a phone call from [redacted] who worked for [redacted] of the Federal Home Loan Bank Board (FHLBB). [redacted] remembers a general reference to (Senator ALLEN) CRANSTON, and it seems that the request had come from a staffer. [redacted] does not think that a staff member's name was mentioned in the call to him. This occurred shortly before the Lincoln Savings conservatorship, probably within a week or two before. The conservatorship was announced on April 14, 1989.

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[redacted] stated that he believed he talked about this request with an ORA attorney, [redacted] asking about what kind of cover should go on the release and what could be released.

Investigation on 7/19/90 at WASHINGTON, D.C. File # WMFO 58C-PX-41605

by SA [redacted] Date dictated 7/20/90

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WMFO 58C-PX-41605

Continuation of FD-302 of [REDACTED], On 7/19/90, Page 2

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[REDACTED] believes that the information he gave to [REDACTED] had a cover on it saying that it was sensitive and could be damaging to the association (Lincoln Savings) if released to the public.

[REDACTED] accumulated the information and gave it to [REDACTED] making a brief presentation. [REDACTED] called in [REDACTED] repeated the presentation about the liquidity of Lincoln, with information like when deposits were maturing, whether people were renewing CD's (certificates of deposit) and if they were taking penalties, and what assets Lincoln had that could be easily liquidated. The general conclusion was that Lincoln was "suffering some liquidity difficulty."

[REDACTED] left the information with [REDACTED] and he does not recall whether he subsequently asked if the information got to the requester or if it was what they were looking for.

[REDACTED] stated that, in the usual process for handling such requests, [REDACTED] would have gotten the request from [REDACTED] [REDACTED] would possibly discuss it with [REDACTED]

[REDACTED] stated that the April 10 date on the interoffice memorandum is probably right. [REDACTED] had previously looked through the memory of his "E mail" (electronic mail) and word processor, and was unable to locate either of these items.

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When asked whether the subject matter of this inquiry was unusual, [REDACTED] stated, "I can't think of another request I've had regarding an open institution for information that specific." Nobody told him why the information was wanted. He did have a discussion, possibly with [REDACTED] about what would be done with the information.

When asked whether he would have retained copies of the information related to this request, [REDACTED] stated that he would have retained copies of what he used to prepare it, but he could not with certainty determine exactly what documents were used in responding or included with the response. His boxes of documents were forwarded to the document depository in the Lincoln matter, but he has not been through those documents that have been returned to him.

WMFO 58C-PX-41605

Continuation of FD-302 of [REDACTED], On 7/19/90, Page 3

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When asked about what attachments were included with the reply to this inquiry, [REDACTED] stated that he recalled a schedule showing all CD's by maturity date. He stated that they were tracking them, especially when brokers' CD's were maturing, because they were not renewing them. Also, there was a memo regarding Lincoln's deposit outflows, commitments and remaining cash.

[REDACTED] provided the following descriptive information regarding himself:

Date of birth: [REDACTED]

Residence: [REDACTED]

Maryland 20716

Bowie,

Residence phone: [REDACTED]



Office of  
Regulatory Activities

Federal Home Loan Bank System  
801 Seventeenth Street, N.W.  
Washington, D.C. 20006  
(202) 785-5400

MEMORANDUM FOR: [REDACTED]  
FROM: [REDACTED]  
SUBJECT: Information on Lincoln

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Pursuant to your request, I am enclosing information regarding deposit balances and liquid assets of Lincoln Savings and Loan of Irvine, California. It is my understanding that Senator Cranstin has requested this information for use in the Senate Banking Committee. Due to the sensitive nature of the Lincoln situation, Senator Cranstin should be reminded that this is sensitive regulatory information and is not for public dissemination. As you know, Lincoln is a high-visibility institute and we do not want any information to emanate from the Bank system that would potentially create a decline in depositor or customer confidence. It is recommended that you transmit this information to Senator Cranstin with a cover letter that requests both him and the Committee not use or discuss this sensitive information in a public setting.

Attachments

I N T E R O F F I C E   M E M O R A N D U M

Date: 10-Apr-1989 09:39am EDT

From: [REDACTED]

Dept: ORA

Tel No: [REDACTED]

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TO: [REDACTED]

CC: [REDACTED]

Subject: Lincoln deposit flows

[REDACTED] has asked for any deposit flow information that we have on Lincoln, over the last two months. Please send that to him by e-mail ASAP. I told him that outflows were not a serious problem yet, and they were in compliance with liquidity.

You may need to get info from our people, or the state examiners.

[REDACTED] may also have.

CEC-PK-41695-116

SEARCHED	INDEXED
SERIALIZED	FILED
AUG 06 1990	
FBI - MEMPHIS	

[Redacted Box] *jen*

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SERIALIZED	FILED
AUG 2 1990	
FBI - MEMPHIS	

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/25/90

On July 20, 1990, [ ] Paralegal, Cacheris and Towey, 1914 Sunderland place, N.W., Washington, D.C., accompanied Attorney [ ] during an interview of [ ] by Federal Bureau of Investigation (FBI) Special Agents (SAs) [ ] and [ ]. During that interview, the interviewing Special Agents requested a copy of an April 2, 1987 memorandum from [ ] to Senator JOHN MC CAIN.

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Later on July 20, 1990, [ ] telephonically informed SA ALEXANDER that he would mail to SA [ ] a copy of the above memorandum. On July 24, 1990, SA [ ] received the memorandum (copy attached), which was received via U.S. Mail at the FBI Northern Virginia Metropolitan Resident Agency on July 23, 1990.

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Investigation on 7/20, 24/90 at Washington, D.C. File # WMFO 58C-PX-41605

by SA [ ] Date dictated 7/25/90

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FBI

## TRANSMIT VIA:

☐ Teletype  
☐ Facsimile  
☒ AIRTEL

## PRECEDENCE:

☐ Immediate  
☐ Priority  
☐ Routine

## CLASSIFICATION:

☐ TOP SECRET  
☐ SECRET  
☐ CONFIDENTIAL  
☐ UNCLAS E F T O  
☐ UNCLAS

Date 7/25/90

TO : SAC, PHOENIX (58C-PX-41605)(P)  
 FROM *7/29/90* SAC, WMFO (58C-PX-41605)(C-9)(NVMRA)(P)  
 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS  
 ALAN CRANSTON, DENNIS D. DE CONCINI,  
 JOHN GLENN, JOHN MC CAIN, DONALD REIGLE;  
 CHARLES H. KEATING, JR., dba  
 LINCOLN SAVINGS AND LOAN ASSOCIATION  
 OF CALIFORNIA (LSL) AND AMERICAN  
 CONTINENTAL CORPORATION (ACC),  
 PHOENIX, ARIZONA;  
 CORRUPTION OF FEDERAL PUBLIC  
 OFFICIALS-LEGISLATIVE;  
 OO: PX/LA

Re 7/18-20/90 meetings among LA, PX and WMFO Case  
 Agents at Washington, D.C.

Enclosed for Phoenix are the following:

(1) the original and two copies of the FD-302 of

(2) a 1A envelope containing interview notes re

(3) the original and two copies of the FD-302 of

(4) a 1A envelope containing an envelope and enclosed  
 2 April 1987 memo, received from

(3) Los Angeles (SARA)(encls. 4)

2-Phoenix (encls. 4)

2-WMFO

REA:rea

(7)

58C-PX-41605-117

SEARCHED	INDEXED
SERIALIZED	FILED
AUG 1 1990	
FBI - LOS ANGELES	

WEE-4

(Number) (Time)

Approved: \_\_\_\_\_

Transmitted \_\_\_\_\_

Per \_\_\_\_\_

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58C-PX-41605  
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Enclosed for Los Angeles are the following:

- (1) two copies of the FD-302 [redacted]
- (2) two copies of the FD-302 of [redacted]

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It is noted that [redacted] stated that he has not reviewed records which he has received back from the records depository in Arizona, and that he could not with certainty determine exactly what documents were used in responding to the request described in the enclosed FD-302. Phoenix and Los Angeles are requested to advise WMFO if further inquiry by WMFO is desired regarding the initiation or disposition of this request for information about LSL.

Investigation by WMFO continuing.

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DE FBIPX #0004 2140230

TELETYPE

ZNR UUUUU

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FM FBI PHOENIX (58C-PX-41605) (P)

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES (58C-PX-41605)/ROUTINE/

[REDACTED] (58C-PX-41605)/ROUTINE/

BT

UNCLAS

CITE: //3630//

PASS: FBIHQ, PUBLIC CORRUPTION UNIT, SSA [REDACTED]

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SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS, ALAN CRANSTON,  
ET AL; CHARLES H. KEATING, JR., DBA, LINCOLN SAVINGS AND LOAN  
ASSOCIATION, AMERICAN CONTINENTAL CORPORATION, CORRUPTION OF  
PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX.

RE PHOENIX TELCALL OF SA [REDACTED] TO SA [REDACTED]

[REDACTED] 7/31/90.

TELETYPE

58C-PX-41605-118

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[REDACTED]

SARA

PAGE TWO DE FBIPX 0004 UNCLAS

FOR INFORMATION OF BUREAU, CONTACT HAS BEEN MADE WITH [REDACTED]

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[REDACTED] OFFICE OF REGULATORY ACTIVITIES,  
FEDERAL HOME LOAN BANK BOARD, [REDACTED]

[REDACTED] AGREED TO SUBMIT TO AN INTERVIEW ON  
8/3/90 AT 9:00 A.M. AT HIS EMPLOYMENT ADDRESS [REDACTED]

[REDACTED]  
[REDACTED] CHARLES H.  
KEATING, JR., [REDACTED] THE FEDERAL HOME LOAN  
BANK BOARD, [REDACTED]

[REDACTED]  
[REDACTED] AND PHOENIX CONCUR IN THE TRAVEL OF PHOENIX AND  
LOS ANGELES AGENTS TO CONDUCT THIS INTERVIEW. NO REQUEST IS  
BEING MADE OF [REDACTED] TO SUPPORT THIS INTERVIEW.

BT

#0004

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58C-PX-41625/18X1

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SERIALIZED	FILED

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FBI — LOS ANGELES

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/26/90

[redacted]  
[redacted] Office of Thrift Supervision, [redacted]  
[redacted] telephone number [redacted] residence  
[redacted] telephone  
number [redacted] provided the following information:

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[redacted]

[redacted] said that when he was hired by the FHLBB in  
Washington, D.C., [redacted]

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[redacted]

[redacted] said he first met CHARLES KEATING, JR., on  
[redacted]  
[redacted] the meeting, which was held in the  
office of [redacted] the FHLBB. [redacted] said that  
the following individuals were present, [redacted]

[redacted] said that the following individuals were  
present, and represented LINCOLN SAVINGS AND LOANS ASSOCIATION  
(LSL): CHARLES H. KEATING, JR., [redacted]

Investigation on 8/3/90 at [redacted] File # 58C-PX-41605by SAs [redacted] (Los Angeles Division) and  
[redacted] /REB:smDate dictated 8/3/90b6  
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58C-PX-41605

REB:sm

Continuation of FD-302 of [REDACTED]

, On 8/3/90

, Page 2

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[REDACTED] said that the dialogue by KEATING essentially was the need for a "fresh look" by the FHLBB, and no need to go through with the law suits that he (KEATING) had initiated.

[REDACTED] said he has no idea how this meeting was arranged, but stated that the initiating phone call would have had to go through either [REDACTED] said he was unaware of the topic of conversation prior to his attendance, but was aware that there had been a prior meeting between [REDACTED]

[REDACTED] said that he is only aware of two meetings in which KEATING [REDACTED] met. the meeting just described a meeting in January of 1989. [REDACTED] said he did not attend this meeting and only "heard" that the meeting pertained to the sell of ISL.

[REDACTED] said no one, including [REDACTED] briefed him concerning the meeting between KEATING [REDACTED]

[REDACTED] KEATING would never sign a cease and desist order. [REDACTED] said that [REDACTED] essentially agreed with 95 percent of the San Francisco March, 1986, exam of ISL. [REDACTED] says now he regrets having used the term 95 percent agreement, because there were significant disagreements between the review and the March, 1986, exam. [REDACTED] said that

[REDACTED] informed him [REDACTED] of his conversation with [REDACTED] in regards to KEATING's refusal to sign a cease and desist order.

[REDACTED] said at this time, San Francisco supervision and Washington supervision agreed on the action that should be taken regarding ISL, and that was to pursue a cease and desist order.

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[REDACTED] said that CHARLES KEATING hired [REDACTED] to operate the ISL association. [REDACTED] apparently had a good reputation within the San Francisco bank district, and as a result, the initiation of the cease and desist order with ISL and its board was delayed in time to allow [REDACTED] the opportunity to operate ISL. [REDACTED] said in time San Francisco determined that [REDACTED] was not truly operating ISL, and in February of 1988, a meeting was scheduled in Washington, D.C., between Washington supervision and San Francisco supervision to determine their present position on ISL.

[REDACTED] said that the meeting was held in the office of board member [REDACTED] recalled that there was no cease and desist to be presented to KEATING; however, the discussion pertained to the attainment of a cease and desist order or some other type of enforcement tool to be presented to KEATING. [REDACTED] recollection is that the cease and desist order was not prepared at this time, and that he had in his hand a draft cease and desist order; however, other

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enforcement tools were being discussed such as a supervisory agreement. [REDACTED] does not believe that KEATING at this time, knew what type of enforcement tool was to be issued; however, he had to have been aware that something was being considered, just not the specific document. [REDACTED] said that the meeting with KEATING [REDACTED] was not initiated [REDACTED]

[REDACTED] However, [REDACTED] said it is his opinion that all the board members, including [REDACTED] agreed to have the meeting with the staff and KEATING. [REDACTED] said that while the meeting was being held in [REDACTED] office, [REDACTED] became embroiled in an argument as to whether [REDACTED] should attend the meeting with KEATING. As a result, there was never an agreement on the enforcement document to be utilized.

[REDACTED] only wanted the ISL problem resolved. [REDACTED] recalls that [REDACTED] had been given a file, which was later termed the "secret file" by KEATING, and this file allegedly contained damaging information on the San Francisco bank district. [REDACTED] said he recalls if this information had been true that was contained in this "secret file" that the information would, in fact, be damaging to San Francisco.

[REDACTED] said that [REDACTED] would often ask about the progress regarding ISL; however, [REDACTED] rarely asked about ISL. [REDACTED] opinion is that the San Francisco bank people, specifically [REDACTED] were "feeding" information to [REDACTED]

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[REDACTED] said that on February 4, 1988, he did, in fact, meet privately with CHARLES KEATING, and they "had a heart to heart discussion." This discussion primarily was a soliloquy by KEATING, describing how he had taken over a failed ISL association and turned it around. He further discussed his ability to run the thrift in a manner in which "everyone would be proud of ISL." KEATING said he had seen the seriousness of his past, and he recognized the seriousness of the problem, and he wanted [REDACTED] to know that he could run the thrift properly.

[REDACTED] said that he was "snookered in" by KEATING. [REDACTED] said that after the meeting with KEATING ended, they called in their staffs, and the meeting continued. The meeting with respective staffs would, in fact, have been on February 4 and 5, 1988.

[REDACTED] further recalls that KEATING assured him that no dividends

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were going to be paid to him or his family. [REDACTED] said he further recalls that KEATING said that he would infuse a substantial amount of capital into LSL, but [REDACTED] does not recall the amount discussed. [REDACTED] believes that through the series of meetings that he [REDACTED] eventually "threw out" a ten million dollar figure and KEATING responded, yes. [REDACTED] also stated that during these meetings, the best effort to raise additional capital in the amount of \$50,000,000 was also discussed. [REDACTED] believes that the final figures of infusion of capital, and amount of best effort were finalized because on March 25, 1988, when KEATING and his associates made their presentation to the ENFORCEMENT REVIEW COMMITTEE (ERC), these figures were documented in written form. The amounts had been documented so that the ERC members could ask KEATING and his associates questions.

[REDACTED]  
the ERC received its presentation from KEATING and [REDACTED] does not recall if [REDACTED] were present. [REDACTED] report, in which, he discussed the last two years of audits he had conducted had been reviewed by the local (Phoenix) and the New York office of ARTHUR YOUNG ACCOUNTING FIRM. [REDACTED] said that LSL was a very profitable institution and had adequate capital and reserves. [REDACTED] said that [REDACTED] presentation was very influential, in view of the fact, the only audit that the FHLBB system had up until this time was the March, 1986, examination of LSL, which was by now dated. [REDACTED] said and the ERC members were aware of this fact, and [REDACTED] represented a big eight accounting firm, and their audit was fresh. During the ERC presentation of March 25, 1988, KEATING denied having offered [REDACTED] a job, and further explained that he had not actually offered [REDACTED] an employment position. KEATING, although not saying he did not make the offer, only said he was not at a stage where he could make an offer to [REDACTED] KEATING further agreed that he and his family would not receive any dividends or salaries from LSL. KEATING further stated that he would infuse \$10,000,000 immediately into LSL, and would make a best effort to raise fifty to one hundred and fifty million dollars more capital for LSL.

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[REDACTED] said of the two presentations (KEATING and [REDACTED] presentation was the most significant in causing the ERC to certain recommendations to the bank board. [REDACTED] was introduced as an independent and outside auditor, and he had a fresh examination of LSL, where in comparison the FHLBB system, had a dated examination. [REDACTED] said that without [REDACTED] presentation, the ERC would not have recommended transfer of supervisory authority from San Francisco, would not have recommended a new examination of LSL, and the ERC most likely would have voted for the issuance of a cease and desist

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order, which would have been supervised by the San Francisco bank district. [REDACTED] however, stated that the ERC may have decided to go to a different district for negotiations regarding the cease and desist order; however, he was certain that [REDACTED] was extremely persuasive in his presentation, and had direct affect on the ERCs recommendation to the FHLBB.

[REDACTED] said that during the ERC meetings, the bank board received presentation from various agency employees, such as Seattle and San Francisco, and still there was no strong evidence that ISL was insolvent. The presentation on the part of KEATING and his associates, although providing a feeling of comfort, left some doubt as to the amount of risk and exposure to the insurance fund, and as a result, it was decided that an "on site monitor" should be at ISL. There were a series of negotiations between ISL and the FHLBB, and ultimately [REDACTED] of the July, 1988, examination, would be the on site monitor, although not actually being physically on site.

[REDACTED] believes that the ERC made its final recommendation to the bank board during late April, 1988, (possibly April 25 to April 30, 1988). [REDACTED] although not recalling the exact date, does remember being in the office of [REDACTED] called KEATING to inform him of the monitor issue and discuss this issue with KEATING. [REDACTED] believes this is the first time that KEATING was made aware of the fact that the agency wanted a monitor on site at ISL. KEATING during this discussion flatly told [REDACTED] that the monitor could not be on site at ISL. During this telephone conversation, [REDACTED] finally agreed to use different language in the Memorandum of Understanding (MOU) as it related to the "monitor." The end result, was that [REDACTED] would have to be told of all significant transactions within a short period of time. KEATING, in affect, took the position that there should be no "prior approval" of any transactions of ISL. [REDACTED] stated that the conversation with [REDACTED] and KEATING ultimately became what was reflected in the actual language of the MOU signed on May 20, 1988, between ISL and the FHLBB.

[REDACTED] said that [REDACTED] and he, with input from [REDACTED] negotiated the MOU. [REDACTED] said there was absolutely no input from the board or any other source during these negotiations. The only involvement WALL had concerning the negotiation of the MOU was when he (WALL) called KEATING on May 5, 1988. [REDACTED] said that the telephone call from [REDACTED] to KEATING was the Friday of the week of the bank board meeting when they accepted the ERC options and voted on them. [REDACTED] said there has been some "to do" about what the enforcement document was called, and when the ERC completed its

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review, there was no label attached to this document. The document ultimately became the MOU. [REDACTED] recalls that KEATING wanted the document to be labeled as "soft" as possible; however, there was no conversation with ISL regarding the MOU after the May 5, 1988, telephone call of WALL. [REDACTED] further stated there was no input from any board member as well, or any other outside source after this date.

[REDACTED] said he is unaware of any conversations between KEATING and [REDACTED] or discussion on the "prior approval." [REDACTED] said, in fact, that if these discussions did occur, [REDACTED] was never informed by [REDACTED] or anyone else. [REDACTED] says that he does not recall any contact by [REDACTED] or anyone associated with [REDACTED] during this period of time. [REDACTED] further said that he does not recall any contact from any senator or congressman or their staff regarding the "on site monitor" or the "prior approval" issue. [REDACTED] further stated he is unaware of any pressure from Capital Hill regarding ISL. [REDACTED] further stated that he equates pressure from Capital Hill as any call that would suggest a solution or an answer to any question that had been proposed by anyone associated with ISL. [REDACTED] further stated he received absolutely no pressure from [REDACTED] and is unaware of any other pressure from the board members or any other source concerning ISL.

[REDACTED] said that in early 1989, he received a telephone call from [REDACTED] and the substance of this phone call related to the proposed sale of ISL. [REDACTED] recalls [REDACTED] saying "Don't worry about the hill, we have it taken care of." [REDACTED] said that [REDACTED] made this statement in the context of a declaratory statement when [REDACTED] was attempting to determine if there was any opposition to the proposed sale in [REDACTED] mind. [REDACTED] said he made no statement, whatsoever, which should have elicited this statement by [REDACTED] believes that [REDACTED] was merely trying to see what problems were facing [REDACTED] and if Capital Hill was a problem, the matter had been "taken care of." [REDACTED] further stated at this time, the FHLBB had "been beaten up" by the GONZALES HOUSE BANKING COMMITTEE. [REDACTED] believes that [REDACTED] believed that the bank board had the perception that the sale of ISL would not be approved, because the bank board was "afraid" of the GONZALES HOUSE BANKING COMMITTEE. [REDACTED] added that he never received one comment from any member of the SENATE BANKING COMMITTEE regarding ISL.

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[REDACTED] stated that, in fact, had he detected any such effort on the part of any member of Capital Hill, he would have "immediately blown the whistle." If he had perceived these contacts or any contacts as pressure or believed that others were being pressured on behalf of ISL, [REDACTED] said he would have taken appropriate action. [REDACTED] stated that [REDACTED] did not even see his testimony prior to it being presented to the GONZALES HOUSE

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## BANKING COMMITTEE.

[REDACTED] believes that [REDACTED] was being pressured from Congress in a general sense, because he was in his office on occasion when [REDACTED] secretary would notify him that a member of Congress was waiting on the telephone. [REDACTED] said: however,

[REDACTED] further said that he is unaware of any pressure ever exerted on [REDACTED] by members of Congress or their staff. [REDACTED] said that one board member, [REDACTED] and a former board member in May of 1988, told [REDACTED] that pressure regarding ISL was coming from Washington, D.C. in the form of [REDACTED] [REDACTED] said that, as a result of [REDACTED] pressure, he was staying away from any information regarding ISL. [REDACTED] said the implication of this statement meant that [REDACTED] "would grab hold of a shoe and not let go." Other than this, [REDACTED] said he was not certain what [REDACTED] meant. [REDACTED] further informed him that an examiner had approached [REDACTED] and said that he was told to "find more stuff" on ISL, and this pressure to "find more stuff" was coming from Washington. [REDACTED] said that [REDACTED] never identified this examiner to him.

[REDACTED] was displayed a memo, dated February 8, 1988, from [REDACTED]. In this memo the following line was underscored. "The meeting was held at [REDACTED] request, and he recommended that a "peaceful resolution" be agreed upon." [REDACTED] commented that there was absolutely no pressure from any board member to resolve the ISL situation. The only pressure ever exerted on the agency to resolve the ISL problem was simply that they wanted a solution to the ISL situation; however, the means to obtain this was left solely to the discretion of [REDACTED]

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[REDACTED] met with KEATING or his associates to resolve this problem. [REDACTED] said he had routine briefings with [REDACTED] and there was never any indication that there was pressure from any source to obtain a "peaceful resolution" to ISL.

[REDACTED] said that [REDACTED] was never "political" in his discussions with his staff. [REDACTED] stated that he [REDACTED] knew that [REDACTED] would immediately quit if they construed or detected something that was considered inappropriate. [REDACTED] as stated previously, was aware that [REDACTED] received a lot of general political pressure, but never relayed this pressure to his staff. [REDACTED] said he was present when [REDACTED] would receive telephone calls, and apparently receive "an earful" from the caller. However, [REDACTED] could not recall the identity of the callers. [REDACTED] however, reiterated the fact that they were not aware of any pressure passed from [REDACTED] to his staff.

[REDACTED] said that he was never aware of any meeting between [REDACTED] and KEATING when they were alone. [REDACTED] said that

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[REDACTED] would have had knowledge of any political contacts made on behalf of KEATING or his companies. [REDACTED] characterized [REDACTED] stated he is unaware of any contact from Capital Hill with [REDACTED] that specifically concerned LSL, CHARLES KEATING or his associates and subsidiaries.

[REDACTED] said that he recalled [REDACTED] "hinting" about the political contacts on other issues, but [REDACTED] never said these contacts related to a specific thrift. [REDACTED] said that an employee of the GONZALES HOUSE BANKING COMMITTEE, [REDACTED] attempted to obtain employment with the bank board. This attempt, however, was unsuccessful, and afterwards [REDACTED] seemed to go out of his way to give the bank board a "hard time."

[REDACTED] identified [REDACTED] also a member of the GONZALES HOUSE BANKING COMMITTEE, who also sought employment with the bank board. [REDACTED] said to his knowledge, [REDACTED] generally would say it's "no wonder [REDACTED] goes out of his way to give us a hard time." [REDACTED] related the difficulty in the timing of notification of testimony on the part of agency employees when the GONZALES HOUSE BANKING COMMITTEE held a field hearing in San Francisco. [REDACTED] stated that the letter requesting the employees to testify was late, and did not give full details about the hearing agenda. [REDACTED] said that he believes that the San Francisco bank district employees were telling the GONZALES HOUSE BANKING COMMITTEE to be critical of the agency for not being tougher on LSL.

[REDACTED] stated he never received any communication in any form from Senators CRANSTON, DE CONCINI, GLENN, MCCAIN, or RIEGLE. [REDACTED] said the same statement would apply to any member of their staff. [REDACTED] said he never received any form of contact or communication with the Senators and their staffers, specifically about CHARLES KEATING, LSL, or his other business entities.

[REDACTED] said the only contact he had with a staffer was in early 1989, when [REDACTED] made a brief contact with [REDACTED] after he [REDACTED] was leaving the GONZALES HOUSE BANKING COMMITTEE meeting. [REDACTED] said that CRANSTON's aid, [REDACTED] had an office near the GONZALES HOUSE BANKING COMMITTEE meeting room. [REDACTED] said that LSL had become such an issue that he was reluctant to meet with [REDACTED] without a witness, and asked [REDACTED] to accompany him to [REDACTED] office. [REDACTED] said although he wasn't certain, he thought that LSL could be a topic of discussion with [REDACTED] asked [REDACTED] for a "status" report on LSL. [REDACTED] said that the questions were related to a proposed sale of LSL. [REDACTED] said that the gist of the questions were, why hasn't the bank board done something with the sale. The questions were generally informational, and [REDACTED] did not consider the contact or the questions by [REDACTED] as improper.

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[REDACTED] said that this meeting with [REDACTED] lasted no longer than three minutes. [REDACTED] did not ask [REDACTED] to do anything on behalf of KEATING or ISL.

[REDACTED] was displayed a memo that he prepared, dated February 24, 1988, which referred to a telephone call to [REDACTED] on February 8, 1989. This memo related to the application for sale of ISL. [REDACTED] stated he recalled the memo and believed that the meeting with [REDACTED] (meeting after GONZALEZ HOUSE BANKING COMMITTEE with [REDACTED]) occurred before the date of this memo.

[REDACTED] said he does not recall any other contact with [REDACTED] by telephone; however, he would have to review his telephone logs to be certain.

[REDACTED] said that he is unaware of any contact of Senator CRANSTON's office with [REDACTED] with exception of a call concerning the proposed sale of ISL. [REDACTED] said he has no first hand knowledge of this call. He was informed of the call to [REDACTED] by [REDACTED] is unaware if the call was made by Senator CRANSTON or a staff member.

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[REDACTED] said that he had numerous telephone contacts with KEATING until the receivership of ISL; however, [REDACTED] can only state the predominate theme of these telephone calls.

[REDACTED] said KEATING's main theme was that he was being treated unfairly by the agency. The accounting firm, ARTHUR YOUNG, was saying that ISL was solvent, and WALL STREET was even saying the AMERICAN CONTINENTAL CORPORATION (ACC) was a strong firm. KEATING was ready to infuse \$10,000,000 into ISL, and he or his family were not receiving dividends. [REDACTED] said that this theme was woven from July, 1987, until July of 1988. [REDACTED] said from July of 1988, until the end of the examination, KEATING would always say "lets resolve" the issues on a conversational basis. [REDACTED] said that after the July of 1988 exam, the theme of "Lets work together and get ISL sold", [REDACTED] offered "We can get this done" as an example of KEATING's statements during this time (after July, 1988). [REDACTED] said these were the three distinct themes that KEATING would always discuss with [REDACTED]

[REDACTED] was displayed handwritten notations, which appeared to describe a conversation between himself and KEATING. [REDACTED] identified the conversation; however, he said the notations were not in his handwriting. [REDACTED] further stated that when he spoke with KEATING, he would always have someone monitor the telephone call, and the person monitoring this call was the individual making notes. [REDACTED] however, could not identify the author of these handwritten notes.

[REDACTED] identified this telephone conversation as having

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occurred February 27, 1989, in which KEATING said, "I guess I have to either go broke or to jail, prefer to go broke." Later in this conversation KEATING again stated, "I will quit so that I don't go to jail." [REDACTED] said he recalls KEATING making these statements to him and the statements were made in the context that the regulators would find all kinds of problems at ISL, and KEATING then would be accused of causing these problems. [REDACTED] said that the first "jail comment" was when he was having a conversation with KEATING in an effort to get him to sign a consent cease and desist order. The second comment about "jail" was made when KEATING said he would not be at ISL when it was taken over. [REDACTED] said that this conversation occurred on February 27, 1989.

[REDACTED] said that the national exam began in July of 1988, of ISL. [REDACTED] said that he was aware that after the exam started there were rumors of a "white wash." [REDACTED] said that he sent [REDACTED] to Phoenix because of the rumors. [REDACTED] met with the examiners in charge, and also he had conversations with various district directors concerning these rumors. [REDACTED] said that the apparent cause resulted from the fact that the ISL exam in July of 1988, was the first time that out of district examiners were mixed into one exam team. [REDACTED] said there were even different ways of the examiners submitting vouchers for reimbursement of expenses, and different districts even had different travel days charged, which created problems. [REDACTED] also stated that there were four different examiners in charge, plus the supervisory examiner in charge, which was STEVE [REDACTED] and this apparently cause problems. [REDACTED] stated that at no time did he witness any outside pressure from any political figure or any member of the bank board regarding this examination.

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[REDACTED] said that he was never offered any employment, and is not aware of [REDACTED] being offered employment by KEATING. [REDACTED] said that this had been a concern of his with the formation of the national exam team, and had given instructions that any offer of employment was to be reported.

[REDACTED] stated that [REDACTED] caused problems with his method of asset classification, and this apparently aroused the suspicion of the examiners working under him. [REDACTED] apparently took the "line slips" from the examiners back to Pittsburgh and wrote the exam at Pittsburgh. [REDACTED] said this also created problems with the examiners. [REDACTED] also said that [REDACTED] judgment was inadequate with the asset classifications.

[REDACTED] said that on June 20, 1988, he traveled to Phoenix, prior to the exam starting, and met with all the exam

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participants including the California examiners as well as the Federal examiners. [REDACTED] also stated that he met at this time with LSL management in an effort to facilitate the examination.

[REDACTED] said that in September of 1988, the examination team learned that LSL and ACC was involved in a tax sharing program, in which, ACC was receiving substantial amounts of money from LSL. [REDACTED] said that he recalls that at least \$47,000,000 was received from LSL, and later it was determined that at least \$90,000,000 was "up streamed" to ACC. [REDACTED] said that he was not aware that the \$10,000,000 infusion came from tax sharing funds. [REDACTED] further stated that he is not aware of the total amount of money that KEATING and his family received from the tax sharing program.

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[REDACTED]

[REDACTED] said that on one occasion [REDACTED] told him that [REDACTED] had told KEATING that [REDACTED] was "off the case."

[REDACTED] was displayed a memo, dated January 3, 1989, [REDACTED] identified this memo as the

[REDACTED]

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[REDACTED] stated that the November, 1988, restrictions placed upon KEATING and ISL, which he highlighted in his GONZALES HOUSE BANKING COMMITTEE testimony, where violated in [REDACTED] opinion; however, he could not recall the specific violations and the date of occurrence. [REDACTED] stated that after they transmitted the notification of the restrictions place upon ISL, there were certain "problems" with ISL; however, [REDACTED] recollection failed to reveal what these problems were. [REDACTED] stated that [REDACTED] would have more information in this area.

[REDACTED] recollection of [REDACTED] was that he was always very "impassioned" during his discussions with [REDACTED] about ISL. [REDACTED] stated that he could not recall talking with [REDACTED] was displayed a machine copy of a telephone message, no date (identified as baits number OTS-ORA-008188) that stated [REDACTED] of ISL called and the message left was "real important, personal." [REDACTED] still was unable to recall what this phone call was about, and again stated he does not recall ever speaking with [REDACTED] by telephone.

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[REDACTED] said that the FHLBB was far to sensitive to ISLs threat of litigation. [REDACTED] said he does not believe that KEATING and his principal management team believed they were doing anything wrong. [REDACTED] said, "This was their value system to push everything to the extreme." [REDACTED] said that ISL was, in fact, doing everything everyone else in the industry was doing on a nationwide basis. [REDACTED] said that there were just too many people "sucked in." [REDACTED] said in hindsight, he believes that only KEATING and a few others top management people knew the full picture, and knew where the money was really coming from. [REDACTED]



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said he believes that they knew what actions were stalking tactics, and they believed until the very end that they could "pull the rabbit out of the hat." [REDACTED] said that the Memorandum of Understanding (MOU) contained more than the bank board could get with a cease and desist order. [REDACTED] said, in fact, the MOU got every issue that the Office of Enforcement thought they could get without litigation.

[REDACTED] said that while he was involved with the ISL supervision, he never received any telephone call from any political figure including any of the FHLBB member requesting that he [REDACTED] have a meeting with KEATING or any of his associates. [REDACTED] believes that he was given the full range of operation, and all the resources available to the FHLBB was given to him in an effort to adequately and fairly resolve the ISL problem.

[REDACTED] was asked if he could recall meeting with KEATING on September 17, 1987. In an effort to refresh his memory, he was displayed a document entitled "KNOWN CALLS AND MEETINGS BETWEEN BANK BOARD OFFICIALS AND KEATING AND ASSOCIATES," and [REDACTED] stated that he could not recall meeting with KEATING on this date.

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[REDACTED] stated that in regards to KEATING'S influence on the ERC, he does recall a prevailing theme that all the members apparently believed, and this was the fact that KEATING had the ability to obtain local zoning in an effort to make his real estate projects successful. [REDACTED] cited the lake at Estrella, and the highway to Estrella as an example of this ability to obtain zoning that was required. However, [REDACTED] said that this ability was never equated with political influence; however, [REDACTED] stated in hindsight perhaps it should have been.

[REDACTED] stated that he believes that the [REDACTED] letter that states that, "the board is where KEATING wants it", could be a forgery. [REDACTED] said that he has observed valid letterhead from [REDACTED] law firm, and there is a line between all the names of the partners. On the [REDACTED] letter, which has been in the newspaper, these lines do not appear between each partners name. [REDACTED] further stated that the letter he suspects to be a forgery is only signed [REDACTED] and in other instances where he has seen [REDACTED] signature on valid instruments (such as documents he knows that [REDACTED] signed), her name is signed [REDACTED]

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/1/90

[redacted]  
[redacted] United States  
Senate, Washington, D.C., 20510, telephone [redacted] was  
advised as to the identity of the interviewing agents and the  
purpose of the interview at which time he advised as follows:

[redacted] stated his date of birth is [redacted] and  
he was born in New York City, New York. His Social Security  
Account Number is [redacted]

[redacted] advised [redacted]  
[redacted]

[redacted] advised he is familiar with CHARLES KEATING and  
[redacted]  
[redacted]  
[redacted]

Investigation on 7/16/90 at Washington, D.C. File # 58C-PX-41605 -119  
by SA [redacted]  
SA [redacted] /GKM/cpt Date dictated 7/23/90

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[REDACTED]

[REDACTED]

[REDACTED] RIEGLE in connection with CHARLES KEATING it was his understanding KEATING was a peripheral constituent with a business in Detroit, Michigan. [REDACTED] further does not recall RIEGLE discussing KEATING matters [REDACTED] RIEGLE [REDACTED]

b6  
b7C

[REDACTED] CHARLES KEATING.

[REDACTED]

[REDACTED] further stated he does not recall [REDACTED] RIEGLE discussing CHARLES KEATING. [REDACTED] RIEGLE [REDACTED]

[REDACTED]

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/2/90

[redacted] telephone [redacted] was contacted this date in the presence of his attorney [redacted] was advised as to the identity of the interviewing agents and the purpose of the interview at which time he advised as follows:

[redacted] advised his date of birth is [redacted] and he was born [redacted]. He further stated he is currently a practicing attorney [redacted]

[redacted] Washington, D.C., 2006, telephone [redacted] has been practicing law with this firm [redacted]

b6  
b7C  
b7Db6  
b7C  
b7D

[redacted] confirmed he is familiar with LINCOLN SAVINGS AND LOAN (LSL) and CHARLES KEATING, JR. He believes he first met KEATING [redacted]

[redacted] KEATING. At that time, [redacted] was the [redacted] He recalls the [redacted]

[redacted] KEATING was simply educating them as to the status of LSL. He does not recall the exam being discussed, however does believe KEATING vented some frustrations regarding the bank board [redacted] specifically recalls that no discussion took place about [redacted] FHLBB.

[redacted] is also familiar with [redacted] and is aware he represented AMERICAN CONTINENTAL CORPORATION (ACC). He does not specifically recall formally meeting [redacted] or attending [redacted]

Investigation on 7/19/90 at Washington, D.C.

File # 58C-PX-41605 - 120

by SA [redacted] /GKM/cpt

Date dictated 7/23/90

b6  
b7C

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/3/90

[redacted]  
[redacted] telephone [redacted] was advised as to the  
identity of the interviewing agents and the purpose of the  
interview at which time he advised as follows:

[redacted] advised his date of birth is [redacted] and  
he was born in [redacted] His Social Security Account  
Number is [redacted]

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b7C  
b7Db6  
b7C  
b7D

Investigation on 7/20/90 at Washington, D.C. File # 58C-PX-41605-121  
by SA [redacted]  
SA [redacted] /GKM/cpt Date dictated 7/23/90

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b7C

ESC-P-41605-122

FILE REVIEWED  
DATE 4-7-95  
INITIALS N

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/28/90*W/F*

[redacted] was interviewed at [redacted]

[redacted] telephone [redacted]

Before beginning the interview, [redacted] stated that [redacted]

[redacted] provided the following information:

[redacted] was born on [redacted]

She resides at [redacted]

Her office address is [redacted]

[redacted] telephone [redacted]

b6  
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b7D*1*  
*JAJ*b6  
b7C  
b7DInvestigation on 7/16/90 at Washington, D.C. File # 58C-PX-41605by SA [redacted]  
SA [redacted] /JAJ/lkh Date dictated 7/23/90b6  
b7C